

**Alliance Center for Education, Inc.**

Financial Report

For the Year Ended  
December 31, 2021

**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, 2021 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, 2021, 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' 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 9, 2022, 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 9, 2022

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,230,495	\$ 2,493,154
Investments	32,000	32,000
Due from grantors	209,150	252,793
Other receivables	29,187	55,973
Other assets	<u>36,731</u>	<u>21,652</u>
Total current assets	3,537,563	2,855,572
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	136,828	123,187
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation	1,099,167	1,609,283
OTHER ASSETS, non-current	<u>25,170</u>	<u>25,170</u>
Total assets	<u><u>\$ 4,798,728</u></u>	<u><u>\$ 4,613,212</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 76,794	\$ 151,742
Accrued expenses	282,068	262,900
Deferred revenue	3,839	7,895
Line of credit	-	-
Deposits	-	150,000
Current maturities of long-term debt	<u>49,553</u>	<u>1,220,008</u>
Total current liabilities	412,254	1,792,545
LONG-TERM DEBT, less current maturities	931,369	1,035,346
<b>NET ASSETS</b>		
Without donor restrictions	3,171,767	1,522,559
With donor restrictions	<u>283,338</u>	<u>262,762</u>
Total net assets	3,455,105	1,785,321
Total liabilities and net assets	<u><u>\$ 4,798,728</u></u>	<u><u>\$ 4,613,212</u></u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2021 and 2020**

	2021		Total	Total 2020
	Without Donor Restrictions	With Donor Restrictions		
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 236,234	\$ 27,180	\$ 263,414	\$ 220,269
Grants from governmental agencies	9,097,245	-	9,097,245	9,332,254
In-kind support	1,826,368	-	1,826,368	1,783,355
Investment return	2,985	-	2,985	2,664
Other revenue, net of adjustments	1,785,753	-	1,785,753	910,731
	<u>12,948,585</u>	<u>27,180</u>	<u>12,975,765</u>	<u>12,249,273</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of restrictions	6,604	(6,604)	-	-
Total support and revenues	<u>12,955,189</u>	<u>20,576</u>	<u>12,975,765</u>	<u>12,249,273</u>
<b>EXPENSES</b>				
Program services	9,804,535	-	9,804,535	10,101,816
Supporting services	1,501,446	-	1,501,446	1,367,999
Total expenses	<u>11,305,981</u>	<u>-</u>	<u>11,305,981</u>	<u>11,469,815</u>
<b>CHANGE IN NET ASSETS</b>	1,649,208	20,576	1,669,784	779,458
<b>NET ASSETS, beginning of year</b>	<u>1,522,559</u>	<u>262,762</u>	<u>1,785,321</u>	<u>1,005,863</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,171,767</u>	<u>\$ 283,338</u>	<u>\$ 3,455,105</u>	<u>\$ 1,785,321</u>

**BETHLEHEM CENTER OF CHARLOTTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,669,784	\$ 779,458
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities		
Depreciation	181,780	174,799
Net change in investments	(13,641)	(12,607)
Gain on disposal of assets	(1,218,779)	(736,608)
Gain on forgiveness of debt related to the Paycheck Protection Program	(446,526)	-
(Increase) decrease in operating assets:		
Due from grantor	43,643	131,086
Other receivables	26,786	(16,394)
Other assets	(15,079)	(10,452)
Accounts payable	(74,948)	(41,523)
Accrued expenses	19,168	(18,094)
Deferred revenue	(4,056)	(35,702)
Net cash provided in operating activities	<u>168,132</u>	<u>213,963</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of sale of property and equipment	1,734,085	770,402
Purchase of property and equipment	(186,970)	-
Deposit on contract to sale property	(150,000)	150,000
Net cash provided in investing activities	<u>1,397,115</u>	<u>920,402</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	-	1,218,053
Principal payments on long-term debt	(827,906)	(61,308)
Net receipts (payments) on line of credit	-	-
Net cash provided (used) by financing activities	<u>(827,906)</u>	<u>1,156,745</u>
Net increase in cash and cash equivalents	737,341	2,291,110
Cash and cash equivalents:		
Beginning	<u>2,493,154</u>	<u>202,044</u>
Ending	<u>\$ 3,230,495</u>	<u>\$ 2,493,154</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash payments for interest	<u>\$ 63,995</u>	<u>\$ 54,414</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2021 and 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
Salaries and wages	\$ 3,435,982	\$ 741,207	\$ -	\$ 59,181	\$ 71,944	\$ 84,597	\$ 75,021	\$ 74,098	\$ 339,939	\$ 49,267	\$ 4,931,236	\$ 1,035,035	\$ 5,966,271
Fringe benefits	653,683	143,837	-	6,886	9,929	11,716	14,667	18,658	82,244	6,192	947,812	139,036	1,086,848
Supplies	102,199	16,774	12,542	-	9,497	3,275	4,360	16,587	2,024	1,733	168,991	8,203	177,194
Repairs & maintenance	115,686	11,062	21,403	-	1,071	-	1,502	-	10,023	197	160,944	9,230	170,174
Food program expenses	-	-	-	282,936	-	-	-	-	-	-	282,936	-	282,936
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	88,713	25,671	18,000	-	1,065	-	1,381	-	22	34	134,886	9,294	144,180
Utilities	56,278	-	-	-	73	-	4,036	-	5,048	-	65,435	3,384	68,819
Insurance	47,675	4,132	-	-	3,671	-	4,400	-	1,735	-	61,613	15,576	77,189
Contractual services	157,621	24,528	17,053	-	4,825	-	-	-	2,303	19,471	225,801	-	225,801
Other expenses	<u>2,490,049</u>	<u>69,715</u>	<u>51,595</u>	<u>-</u>	<u>25,718</u>	<u>4,307</u>	<u>9,044</u>	<u>-</u>	<u>76,134</u>	<u>1,815</u>	<u>2,728,377</u>	<u>196,412</u>	<u>2,924,789</u>
Total other expenses	7,147,886	1,036,926	120,593	349,003	127,793	103,895	114,411	109,343	519,472	78,709	9,708,031	1,416,170	11,124,201
Depreciation	<u>96,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,504</u>	<u>85,276</u>	<u>181,780</u>
Total 2021 expenses	<u>\$ 7,244,390</u>	<u>\$ 1,036,926</u>	<u>\$ 120,593</u>	<u>\$ 349,003</u>	<u>\$ 127,793</u>	<u>\$ 103,895</u>	<u>\$ 114,411</u>	<u>\$ 109,343</u>	<u>\$ 519,472</u>	<u>\$ 78,709</u>	<u>\$ 9,804,535</u>	<u>\$ 1,501,446</u>	<u>\$ 11,305,981</u>
Total 2020 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>



**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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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, 2021 and 2020, 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, 2021**

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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, 2021**

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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 2018 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, 2021**

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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.

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 2021 and 2020, respectively. Therefore, the total assets available for general expenditures in the following year are \$3,537,563 and \$2,855,572 for the years ended December 31, 2021 and 2020, 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, 2020, from which the summarized information was derived.

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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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, 2021 and 2020.

*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, 2021**

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, 2021 and 2020.

	<b>As of December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Mutual funds	\$ --	\$ --	\$ --	\$ --
Money market	--	--	--	--
Treasury obligations	32,000	--	--	32,000
Beneficial interest in assets held by others	<u>--</u>	<u>--</u>	<u>136,828</u>	<u>136,828</u>
Total	<u>\$ 32,000</u>	<u>\$ --</u>	<u>\$ 136,828</u>	<u>\$ 168,828</u>

  

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

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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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, 2021.

	Level 3 <u>For the Year Ended December 31, 2021</u> Beneficial interest in assets held by others
Beginning balance	\$ 123,187
Purchases, sales, transfers, issuances And settlements, net	--
Realized and unrealized gains (losses)	<u>13,641</u>
	<u>\$ 136,828</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and buildings	\$ 1,441,725	\$ 2,771,160
Equipment	99,779	99,779
Furniture and fixtures	107,150	133,799
Transportation equipment	<u>680,445</u>	<u>587,663</u>
	2,329,099	3,592,401
Less accumulated depreciation	<u>1,229,932</u>	<u>1,983,118</u>
	<u>\$ 1,099,167</u>	<u>\$ 1,609,283</u>

During the year ended December 31, 2021 the Center sold additional property. The net sales price to the Center after amounts paid for the federal interest, United Methodist Women and transaction costs was \$1,734,085 resulting in a gain of \$1,218,779 which is included in Other revenue on the Statements of Activities and Changes in Net Assets.

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, 2021**

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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 \$523,000 and \$519,000 for the years ended December 31, 2021 and 2020, respectively.

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

2022	\$	429,000
2023		166,000
2024		81,000
2025		<u>3,000</u>
	\$	<u>679,000</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	\$	1,595,534
Donated goods and materials		190,892
Donated professional services		<u>39,942</u>
	\$	<u>1,826,368</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, 2021**

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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 2021 were approximately \$1,233,000. 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 2021 and 2020 include contributions made by the Center totaling approximately \$143,000 and \$119,000, respectively.

**NOTE I – LINE OF CREDIT**

During 2021 and 2020, the Center has 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, 2021 and 2020 was \$0.

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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NOTE J – LONG-TERM DEBT

Long-term debt as of December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</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.	\$ 980,922	\$ 1,037,301
Note payable to the Small Business Association (SBA), issued as part of the Payroll Protection Plan	<u>--</u>	<u>1,218,053</u>
	980,922	2,255,354
Less current maturities	<u>49,553</u>	<u>1,220,008</u>
	<u>\$ 931,369</u>	<u>\$ 1,035,346</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. 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. During the year ended December 31, 2021 \$446,527 was forgiven and included as a gain on extinguishment of debt and is included in Other revenue on the Statements of Activities and Changes in Net Assets. The remaining amount of \$771,526 was repaid.

Aggregate annual maturities required on long-term debt December 31, 2021 are as follows:

2023	\$ 55,909
2024	57,580
2025	59,303
2026	61,076
Thereafter	<u>697,501</u>
	<u>\$ 931,369</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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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 69% and 76% of all support and revenue received during 2021 and 2020, 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
Resident Camp and other		10,415
Foundations of the Carolinas		<u>136,828</u>
Total with donor restrictions net assets	\$	<u>283,338</u>

With donor restrictions assets for property development are for renovations, architectural plans, purchases and major facilities cost for the 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, 2021, the value of the balance equals \$136,828.

NOTE N - SUBSEQUENT EVENTS

The Center evaluated its December 31, 2021 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.

NOTE M – FEDERAL INTEREST

The property sold during the year 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.

***OTHER FINANCIAL INFORMATION***

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENT OF OTHER EXPENSES**  
**Year Ended December 31, 2021**

	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	1,826,368	-	-	-	-	-	-	-	-	-	1,826,368	-	1,826,368
Interest expense	-	-	-	-	-	-	-	-	-	-	-	63,995	63,995
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Printing and reproduction	55,288	-	5,470	-	-	-	-	-	-	-	60,758	3,780	64,538
Professional fees	1,435	-	-	-	-	-	-	-	-	-	1,435	88,250	89,685
Rent and facilities	502,435	59,080	-	-	24,037	2,703	-	-	73,601	23	661,879	1,625	663,504
Telephone	73,054	8,393	46,125	-	1,681	1,604	8,768	-	2,533	1,792	143,950	38,762	182,712
Field trip expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle expense	31,469	2,242	-	-	-	-	276	-	-	-	33,987	-	33,987
<b>Total expenses</b>	<b>\$ 2,490,049</b>	<b>\$ 69,715</b>	<b>\$ 51,595</b>	<b>\$ -</b>	<b>\$ 25,718</b>	<b>\$ 4,307</b>	<b>\$ 9,044</b>	<b>\$ -</b>	<b>\$ 76,134</b>	<b>\$ 1,815</b>	<b>\$ 2,728,377</b>	<b>\$ 196,412</b>	<b>\$ 2,924,789</b>

**COMPLIANCE SECTION**

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, 2021, 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 9, 2022.

**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 9, 2022



Independent Auditors' 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, 2021. 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, 2021.

### **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 9, 2022

**Alliance Center for Education, Inc.  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2021**

**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 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: \$ 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, 2021**

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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, 2021**

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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, 2021**

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	\$	7,701,074
U.S. Department of Agriculture pass-through North Carolina Department of Public Instruction Child and adult care food program	10.558	\$	371,318

**Alliance Center for Education, Inc.**  
**Note to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

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, 2021. 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.