Alliance Center for Education, Inc.

Financial Report

For the Year Ended
December 31, 2022

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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, 2022 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, 2022, 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 Auditor's 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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' 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 and State 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 the *Government Auditing Standards,* we have also issued our report dated May 19, 2023, 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 preformed 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 19, 2023

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,076,902	$ 3,230,495
Investments	32,000	32,000
Due from grantors	501,871	209,150
Other receivables	214,697	29,187
Other assets	48,509	36,731
Total current assets	3,873,979	3,537,563
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	120,802	136,828
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation	936,779	1,099,167
OTHER ASSETS, non-current	25,170	25,170
Total assets	$ 4,956,730	$ 4,798,728
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 516,772	$ 76,794
Accrued expenses	297,101	282,068
Deferred revenue	51,958	3,839
Line of credit	-	-
Deposits	-	-
Current maturities of long-term debt	55,909	49,553
Total current liabilities	921,740	412,254
LONG-TERM DEBT, less current maturities	864,168	931,369
NET ASSETS		
Without donor restrictions	2,912,506	3,171,767
With donor restrictions	258,316	283,338
Total net assets	3,170,822	3,455,105
Total liabilities and net assets	$ 4,956,730	$ 4,798,728

See notes to the financial statements.

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2022 and 2021

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	Total 2021
SUPPORT AND REVENUES				
Contributions	$ 140,512	$ 42,737	$ 183,249	$ 249,774
Grants from governmental agencies	9,346,358	-	9,346,358	9,097,245
In-kind support	1,848,378	-	1,848,378	1,826,368
Investment return	16,802	(16,026)	776	16,625
Other revenue, net of adjustments	126,604	-	126,604	1,785,753
	11,478,654	26,711	11,505,365	12,975,765
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	51,733	(51,733)	-	-
Total support and revenues	11,530,387	(25,022)	11,505,365	12,975,765
EXPENSES				
Program services	10,305,558	-	10,305,558	9,804,535
Supporting services	1,484,090	-	1,484,090	1,501,446
Total expenses	11,789,648	-	11,789,648	11,305,981
CHANGE IN NET ASSETS	(259,261)	(25,022)	(284,283)	1,669,784
NET ASSETS, beginning of year	3,171,767	283,338	3,455,105	1,785,321
NET ASSETS, end of year	$ 2,912,506	$ 258,316	$ 3,170,822	$ 3,455,105

BETHLEHEM CENTER OF CHARLOTTE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (284,283)	$ 1,669,784
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities		
Depreciation	162,388	181,780
Net change in investments	16,026	(13,641)
Gain on disposal of assets	-	(1,218,779)
Gain on forgiveness of debt related to the Paycheck Protection Program	-	(446,526)
(Increase) decrease in operating assets:		
Due from grantor	(292,721)	43,643
Other receivables	(185,510)	26,786
Other assets	(11,778)	(15,079)
Accounts payable	439,978	(74,948)
Accrued expenses	15,033	19,168
Deferred revenue	48,119	(4,056)
Net cash provided in operating activities	(92,748)	168,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of sale of property and equipment	-	1,734,085
Purchase of property and equipment	-	(186,970)
Deposit on contract to sale property	-	(150,000)
Net cash provided in investing activities	-	1,397,115
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	-
Principal payments on long-term debt	(60,845)	(827,906)
Net receipts (payments) on line of credit	-	-
Net cash provided (used) by financing activities	(60,845)	(827,906)
Net increase in cash and cash equivalents	(153,593)	737,341
Cash and cash equivalents:		
Beginning	3,230,495	2,493,154
Ending	$ 3,076,902	$ 3,230,495
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash payments for interest	$ 31,765	$ 63,995

See notes to the financial statements.

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 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
Salaries and wages	$ 3,429,727	$ 721,246	$ 103,041	$ 74,524	$ 35,933	$ 93,666	$ 73,237	$ 25,559	$ 434,730	$ 56,253	$ 5,047,916	$ 961,633	$ 6,009,549
Fringe benefits	650,106	143,570	11,190	9,941	14,691	13,521	14,737	9,233	91,290	6,783	965,062	122,281	1,087,343
Supplies	227,205	43,671	25,429	-	26,526	-	11,904	7,073	29,588	8,036	379,432	13,092	392,524
Repairs & maintenance	119,595	17,610	61,622	-	2,510	-	970	-	10,474	190	212,971	10,384	223,355
Food program expenses	-	-	-	203,688	-	-	-	-	-	-	203,688	-	203,688
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	101,787	46,981	33,092	-	570	-	1,600	-	5,380	12,515	201,925	57,310	259,235
Utilities	60,595	9,872	-	-	3,538	-	6,120	-	5,535	-	85,660	510	86,170
Insurance	48,335	4,328	-	-	2,395	-	3,626	-	4,973	-	63,657	23,918	87,575
Contractual services	173,774	21,403	25,000	-	17,817	-	98	-	2,260	47,040	287,392	-	287,392
Other expenses	2,540,128	66,004	7,638	-	30,504	2,914	3,103	18,133	81,120	5,317	2,754,861	235,568	2,990,429
Total other expenses	7,351,252	1,074,685	267,012	288,153	134,484	110,101	115,395	59,998	665,350	136,134	10,202,564	1,424,696	11,627,260
Depreciation	102,994	-	-	-	-	-	-	-	-	-	102,994	59,394	162,388
Total 2022 expenses	$ 7,454,246	$ 1,074,685	$ 267,012	$ 288,153	$ 134,484	$ 110,101	$ 115,395	$ 59,998	$ 665,350	$ 136,134	$ 10,305,558	$ 1,484,090	$ 11,789,648
Total 2021 expenses	$ 7,244,390	$ 1,036,926	$ 120,593	$ 349,003	$ 127,793	$ 103,895	$ 114,411	$ 109,343	$ 519,472	$ 78,709	$ 9,804,535	$ 1,501,446	$ 11,305,981

See notes to the financial statements.

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, 2022 and 2021, 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.

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.

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 2019 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.

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 2022 and 2021, respectively. Therefore, the total assets available for general expenditures in the following year are $3,873,979 and $3,537,563 for the years ended December 31, 2022 and 2021, 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, 2021, from which the summarized information was derived.

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, 2022 and 2021.

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.

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, 2022 and 2021.

	As of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Mutual funds	$ --	$ --	$ --	$ --
Money market	--	--	--	--
Treasury obligations	32,000	--	--	32,000
Beneficial interest in assets held by others	--	--	120,802	120,802
Total	$ 32,000	$ --	$ 120,802	$ 152,802

	As of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Mutual funds	$ --	$ --	$ --	$ --
Money market	--	--	--	--
Treasury obligations	32,000	--	--	32,000
Beneficial interest in assets held by others	--	--	136,828	136,828
Total	$ 32,000	$ --	$ 138,828	$ 168,828

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, 2022.

	Level 3 For the Year Ended December 31, 2022 Beneficial interest in assets held by others
Beginning balance	$ 136,828
Purchases, sales, transfers, issuances And settlements, net	--
Realized and unrealized gains (losses)	(16,026)
	$ 120,802

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2022 and 2021:

	2022	2021
Land and buildings	$ 1,441,725	$ 1,441,725
Equipment	99,779	99,779
Furniture and fixtures	107,150	107,150
Transportation equipment	680,445	680,445
	2,329,099	2,329,099
Less accumulated depreciation	1,392,320	1,229,932
	$ 936,779	$ 1,099,167

During the year ended December 31, 2021 the Center sold 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.

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 $428,000 and $523,000 for the years ended December 31, 2022 and 2021, respectively.

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

2023	$ 510,000
2024	82,000
	$ 592,000

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	$ 1,560,728
Donated goods and materials	239,479
Donated professional services	48,171
	$ 1,848,378

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.

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 2022 were approximately $1,262,000. 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 2022 and 2021 include contributions made by the Center totaling approximately $116,000 and $143,000, respectively.

NOTE I – LINE OF CREDIT

During 2022 and 2021, 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, 2022 and 2021 was $0.

NOTE J – LONG-TERM DEBT

Long-term debt as of December 31, 2022 and 2021 consists of the following:

	2022	2021
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.	$ 920,077	$ 980,922
Note payable to the Small Business Association (SBA), issued as part of the Payroll Protection Plan	--	--
	920,077	980,922
Less current maturities	55,909	49,553
	$ 864,168	$ 931,369

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 form 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 in 2021.

Aggregate annual maturities required on long-term debt December 31, 2022 are as follows:

2025	$ 57,580
2026	59,303
2027	61,076
2028	686,209
	$ 864,168

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 69% of all support and revenue received during 2022 and 2021, 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		1,419
Foundations of the Carolinas		120,802
Total with donor restrictions net assets	$	258,316

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, 2022, the value of the balance equals $120,802.

NOTE N - SUBSEQUENT EVENTS

The Center evaluated it's December 31, 2022 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 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.

OTHER FINANCIAL INFORMATION

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENT OF OTHER EXPENSES
Year Ended December 31, 2022

	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	1,848,378	-	-	-	-	-	-	-	-	-	1,848,378	-	1,848,378
Interest expense	-	-	-	-	-	-	-	-	-	-	-	31,765	31,765
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Printing and reproduction	28,866	-	7,638	-	-	-	-	-	-	-	36,504	21,936	58,440
Professional fees	858	-	-	-	-	-	-	-	-	-	858	106,099	106,957
Rent and facilities	547,921	56,172	-	-	15,586	905	-	18,133	76,744	-	715,461	2,639	718,100
Telephone	60,482	7,912	-	-	10,043	2,009	3,082	-	4,376	5,317	93,221	72,821	166,042
Field trip expense	-	-	-	-	4,439	-	-	-	-	-	4,439	-	4,439
Vehicle expense	53,623	1,920	-	-	436	-	21	-	-	-	56,000	308	56,308
Total expenses	$ 2,540,128	$ 66,004	$ 7,638	$ -	$ 30,504	$ 2,914	$ 3,103	$ 18,133	$ 81,120	$ 5,317	$ 2,754,861	$ 235,568	$ 2,990,429

COMPLIANCE SECTION

ASW ANDERSON SMITH & WIKE PLLC
Certified Public Accountants

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, 2022, 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 19, 2023.

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 19, 2023

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
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, 2022. The Alliance Center for Education, Inc.'s (the "Center") major program is identified in the summary of auditor's 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, 2022.

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 Auditor's 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.

Auditor's 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 and the State Single Audit Implementation Act, 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 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 19, 2023

Alliance Center for Education, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
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Internal control over financial reporting:

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

Federal Awards

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

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

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	_X_no

Alliance Center for Education, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. Summary Schedule of Prior Audit Findings

None reported

Alliance Center for Education, Inc.
Corrective Action Plan
For the Year Ended December 31, 2022

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. Summary Schedule of Prior Audit Findings

None reported

Alliance Center for Education, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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	$	7,887,247
U.S. Department of Agriculture pass-through			
North Carolina Department of Public Instruction			
Child and adult care food program	10.558	$	310,398

Alliance Center for Education, Inc.
Note to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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, 2022. 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.