



Finance and Audit Committee Meeting
January 12, 2024
Minutes
10-11:30 a.m.

Members Present: Laurie Stradley, Dr PH – Chair, Mary Sonnenberg, and Sandy Weathersbee
Members Absent: Fran Gary
Others Present: Christine Bauer, Amy Cubbage, Kathy Huff, Melissa Cheston, and Maura Pherson – recording secretary

The Finance and Audit Committee (Committee) of The North Carolina Partnership for Children, Inc. (NCPC) Board of Directors (Board) met January 12, 2024 via Zoom video conference. Chair Laurie Stradley called the meeting to order at 10 a.m. and the presence of a quorum was established.

Agenda

The agenda was approved by unanimous consent.

Committee Minutes

A motion was made by Mary Sonnenberg and seconded to approve the minutes of the Special Called Finance & Audit Committee meeting of December 7, 2023. **Motion carried.**

FYE 2024 Financial Report Review

Melissa Cheston reviewed the details of the Financial Reports for grants and contracts, private funds, and cash flow as of November 30, 2023.

1. Summary of grant and contract and provided notes related to the period from July 1, 2023 through November 30, 2023.
2. Budget to actuals for each grant, contract, and private fund source.
3. Summarized version of the cash flow.

A motion was made by Sandy Weathersbee and seconded to recommend approval of the NCPC Financial Reports prior to the January 23, 2024 NCPC Board Meeting. **Motion carried.**

Employee Compensation Policy

The NCPC Board approved an employee compensation policy on June 18, 2019, that requires the Finance and Audit Committee to review and recommend, annually, any employee compensation allowances. At that time the Finance and Audit Committee identified that there was no set Board approval for employee compensation related to cost-of-living adjustments (COLA), merit increase, or bonuses. For many years compensation remained flat for most employees.

At its September 8, 2023 meeting, the Committee asked to review the policy. The Committee reviewed the policy and will make recommendations to review and approve at a future meeting before Board approval. The Committee recommends adding language to provide authority to NCPC for intentional flexibility, with motivation for fiscal responsibility, such as “in alignment with the budget.” The Committee will review the policy again at a future meeting.

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Carryforward Caps

Christine Bauer provided details of the carryforward history and current issue. In the early years of Smart Start, local partnerships received their year-end unexpended Smart Start funds as carryforward the following year. For many years after that, local partnerships did not automatically receive back their own reverted funds. Reversions have been used over the years to offset budget cuts, increase TANF/CCDF subsidy spending to meet legislative requirements, for special board-approved projects, such as literacy grants. Since FY 2019-20 local partnerships have received back their year-end reverted funds as carryforward.

Between 1999 and 2012, local partnerships did not automatically receive back their own reverted funds as carryforward, and a Board approved **Involuntary Reversion Penalty** was in place to reduce local partnership reversions. Local partnerships that reverted more than an allowed percentage, had a dollar-for-dollar reduction in their subsequent year's base allocation in the amount of their excessive reversion. There was a sliding scale of allowable year-end reversions, such that local partnerships with greater funding available could revert a smaller percentage of their total available, while local partnerships with less funding available could revert a higher percentage without penalty.

For FY 2017-18, local partnerships reverted \$0.6 million. For FY 2018-19, local partnerships reverted \$1.3 million. NCPC began to discuss with local partnerships a potential carryforward cap at that time; then Covid hit. Reversions increased dramatically to \$4 million for FY 2019-20. Expenditures have been impacted by Covid, and greatly impacted by the very late receipt of the new recurring funds from the General Assembly beginning in FY 2021-22. Two consecutive years of aggregate statewide local partnership reversions have exceeded \$10.5 million.

Given the significant reversions in FY 2021-22 and FY 2022-23, NCPC believes it is necessary to take steps to reduce excessive local partnership reversions.

NCPC is suspending the practice of automatically returning all reverted funds to the reverting local partnerships, and amount of carryforward of year-end reversions returned to the reverting local partnerships be capped.

- Reversions up to the allowed amount per local partnership, using a sliding scale, like the one used previously for involuntary reversions, will be returned to the reverting local partnerships the following fiscal year as carryforward.
- Year-end reversions more than the local partnership's cap will be reallocated by NCPC.
- Individual conversations are being held with local partnerships with a recent history of large reversions, to identify local funding issues and opportunities.
- Voluntary reversions and reallocations will be offered, so local partnerships expecting reversions may voluntarily send back funds for same-FY reallocation to other local partnerships.
- Initial reversion cap percentages for FY 2023-24 will be more generous than the percentages in the old involuntary reversion penalty. Future reversion caps may be lower, as needed, to achieve reasonable statewide reversion levels.

NCPC will request reversions for subsidy TANF/CCDF by the end of January to maintain the required \$59 million legislative mandates. After that, NCPC will ask for voluntary reversions and place a cap on the amount that will be allowed for carryforward. Several partnerships will have a need for additional funding since other grant funding has recently ended.

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This is a shared understanding that this is a process. There is no Board approval needed; however, the Board will be informed at its next meeting. The Smart Start network is aware of the process.

Recap action items to send to network

- Reviewed FY 2023 Financial Reports
- Reviewing NCPC Employee Compensation Policy for clarification
- Reviewed Carryforward Policy

Adjournment

Having no further business, the meeting was adjourned at 11:22 a.m.

Minutes submitted by:

DocuSigned by:
Melissa Cheston

3/8/2024 | 3:44 PM EST

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DocuSigned by:
Melissa Cheston, Committee Liaison

Date
3/8/2024 | 2:49 PM EST

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DocuSigned by:
Maura Pherson

Date

Maura Pherson, Recording Secretary

