



Finance and Audit Committee Meeting
June 5, 2025 Minutes
10-11:30 a.m.

Members Present: Laurie Stradley – Chair, Gayle Headen, Sherry Heuser, Valerie Wallace, and Sandy Weathersbee
Members Absent: Fran Gary and Laurie Urland
Others Present: Joseph Brownlee, Melissa Cheston, Christine Bauer, Susan Clark, Amy Cabbage, Tom Mitchell, Nancy Olson, 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 June 5, 2025 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 Sherry Heuser and seconded to approve the minutes of the Finance & Audit Committee meeting of March 7, 2025. **Motion carried.**

Financial Reports

Joe Brownlee demonstrated a new way to display the balance sheet, revenue and expense comparison, operating expenses comparison and total budget, trends in fund balances, operating reserve, and unrestricted funds using charts and graphics to highlight significant updates.

The Committee reviewed the Financial Reports for grants and contracts, private funds, and cash flow as of April 30, 2025.

1. Summary of each grant and contract with notes related to the period from July 1, 2024, through April 30, 2025.
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 at the June 17, 2025 NCPC Board Meeting. **Motion carried.**

Allocation Methodology for FY 2026

The North Carolina General Assembly has not yet released its Fiscal Year (FY) 2026 budget. NCPC expects the Smart Start base appropriation for FY 2026 to be \$157 million recurring.

The Committee determines the most equitable way to allocate Smart Start funds using the following primary goals:

- Meet legislative requirements while protecting stability of services for children and families.
- Minimize disruption for local partnerships and their service providers.
- Protect infrastructure to ensure all mandates are satisfied.
- Make the best use of any carry forward funds to accomplish goals.

ALLOCATION METHODOLOGY FOR FY 2026

1. **HOLD HARMLESS:** The following methodology is recommended:
 - a. NCPC shall not reduce the allocation for the counties with less than 35,000 in population below the FY 2012-2013 funding level as required in S.L. 2017-57 § 143B-168.12.(a)(6). This helps meet the goals of stability and minimum disruption.
 - b. This calculation is applied to counties not partnerships, so that multi-county partnerships may have some of their counties held harmless and some that do not qualify.
 - c. As it has always been, it will be the responsibility of the boards of the multi-county partnerships to determine which programs will be funded within the individual counties that make up their multi-county partnership.
2. **SMART START BASE APPROPRIATION:** The Smart Start base appropriation for FY 2026 is recurring at \$157 million. The Committee reviewed the summary of NCPC's budget and the local partnership allocations for FY 2026.
3. **SET-ASIDES:** Staff recommends the following expenditures be taken off the top of the total appropriation. This will help achieve the first three primary allocation goals listed above.
 - a. Funding for local partnership audits – \$603,450 to fulfill local partnership audit requirements for FY 2024-2025.
 - b. Funding for MAC Grants – \$1,340,000
 - c. Funding for local partnership supports – \$28,690.
4. **USE OF CARRY-FORWARD FUNDS:** Per legislation, state funds that are allocated to local partnerships that are unexpended at the end of the fiscal year shall remain available to NCPC to reallocate to local partnerships. The exact amount of unexpended funds from FY 2024-2025 will be calculated when local partnerships submit their year-end close to NCPC in July and will be included in the September update. The carry-forward will be available to NCPC and the local partnerships that reverted funds in FY 2024-2025.

A motion was made by Sandy Weathersbee and seconded to recommend for approval at the June 17, 2025 NCPC Board meeting the Allocation Methodology for FY 2026. Further, recommend NCPC management has the authorization to use the allocation recommendations to distribute funding to local partnerships for FY 2026. **Motion carried.**

NCPC's Preliminary FY 2025-2026 Budget and Local Partnership Allocations

As in prior years, the approval request includes allowing NCPC to make budget changes among line items throughout the year as circumstances arise since: (1) the State Smart Start appropriations, Dolly Parton's Imagination Library (DPIL) special appropriation, DCDEE Tri-Share, DCDEE WNC Helene Disaster Relief and other funders are fixed and cannot be exceeded; and (2) there are time constraints when amending budgets with the Division of Child Development and Early Education.

Smart Start legislation G.S. 143B-168.15(h) states that State funds allocated to local partnerships that are unexpended at the end of a fiscal year shall remain available to NCPC to reallocate to local partnerships. The actual amount of FY 2024-2025 unexpended funds will be determined when local partnerships have completed the year end close in July 2025 and will be updated in the September 2025 Committee meeting. These funds will be available for NCPC to distribute in FY 2025-2026 in accordance with legislation. Local partnerships will be required to spend at least \$59 million in

Finance & Audit Committee Minutes
June 5, 2025
3 of 4

subsidy for the Temporary Assistance to Needy Families (TANF) maintenance of effort (MOE) requirement and the Child Care Development Fund (CCDF) and Block Grant.

The Committee reviewed:

- NCPC's budget assumptions for FY 2025-2026
- NCPC's existing grants and contracts
- The proposed NCPC State and Federal budget for FY 2025-2026
- The proposed NCPC Private budget for FY 2025-2026

A motion was made by Sherry Heuser and seconded to recommend for approval at the June 17, 2025 NCPC Board meeting, NCPC's budget for FY 2025-2026 as presented with authorization for NCPC management to make changes among line items during the year as necessary, including adjustments to the total budget if additional funds are increased or decreased. **Motion carried.**

Review and Acceptance of NCPC's 990 for FY2024

The Committee reviewed and accepted the 990 for FY2024. A motion was made by Gayle Headen and seconded to accept the 990. **Motion carried.**

Smart Start Accountability Plan

Annually, the Accountability Committee and Finance & Audit Committee review the Smart Start Accountability Plan. This year there are minor revisions with track changes in the body of the document. The Accountability Committee met on May 20, 2025 and reviewed the changes. They made no additional changes.

This Committee reviewed the changes and suggested adding Secretary "for the North Carolina Department of Health and Human Services" to the narrative prior to sending to the full Board at its June 17, 2025 meeting. A motion was made by Sherry Heuser and seconded to recommend changes to the Board at its June 17, 2025 meeting of the Accountability Plan with one administrative change. **Motion carried.**

Local Partnership Monitoring

Susan Clark provided an overview of the biennial monitoring plan of local partnerships which is based on risk assessment when to monitor, low risk every other year and high risk are monitored during the current fiscal year and medium risk are even other fiscal year.

LP FY 2025 Audit Plans

Tom Mitchell provided an update:

- For FY 2025, 58 local partnership audits are planned between Sept. 2025 and January 2026
- Costs of the actual local partnership financial audits covered by NCPC will be \$603K
- Interim work is starting now through late June
- NCPC will closely monitor and support the progress with Cohn Reznick
- Updates will be provided to the Committee on progress and any open issues

Committee's Annual Performance Evaluation

The Committee Charter states that it will perform an occasional evaluation of the Committee's performance and make applicable recommendation. This may be made as part of the biannual Board survey if the Committee prefers. This will be discussed at a later meeting.

Finance & Audit Committee Minutes
June 5, 2025
4 of 4

Local Partnership Program Match
Information will be provided at the next meeting.

- Recap action items**
- Reviewed for Board approval FY 2025 Financial Reports
 - Reviewed Allocation Methodology for FY 2026
 - Reviewed NCPC's Preliminary FY 2025-2026 Budget and Local Partnership Allocations
 - Reviewed and accepted NCPC's 990 for FY2024
 - Reviewed the Smart Start Accountability Plan

- Follow-up**
- Share documents on local partnership monitoring
 - Local partnership FY 2025 Audit Plans
 - Committee's Annual Performance Evaluation
 - Local partnership Program Match

Adjournment
Having no further business, the meeting was adjourned at 11:34 a.m.

Minutes submitted by:	
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Joseph Brownlee, Committee Liaison	Date
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Maura Pherson, Recording Secretary	Date

