

The North Carolina Council on Economic Education, Inc.

Report on Audit of Financial Statements

for the year ended December 31, 2022

MPCoCompany LLP

Certified Public Accountants
4600 MARRIOTT DRIVE, SUITE 300
RALEIGH, NC 27612

CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Schedule of Findings and Responses	15-17



MPCCompany LLP
Certified Public Accountants

4600 Marriott Drive, Suite 300 | Raleigh, North Carolina 27612
Tel (919) 836-9200 | Fax (919) 836-9288 | www.mpcllp.com

J. Micah Pate, III
Thomas M. Doherty
Brian T. Bennett
Alex Lehmann
Michael J. Palazzo, III

Angela W. Banask

Independent Auditors' Report

The Board of Directors
The North Carolina Council on Economic Education, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The North Carolina Council on Economic Education, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The North Carolina Council on Economic Education, Inc. 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The North Carolina Council on Economic Education, Inc. 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 North Carolina Council on Economic Education, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 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 GAAS 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 North Carolina Council on Economic Education, Inc.'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 North Carolina Council on Economic Education, Inc.'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2023 on our consideration of The North Carolina Council on Economic Education, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of 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 North Carolina Council on Economic Education, Inc.'s internal control over financial reporting and compliance.

MPC Company LLP

September 13, 2023

The North Carolina Council on Economic Education, Inc.
Statement of Financial Position
December 31, 2022

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 582,102
Accounts receivable	3,868
Grant receivable	50,000
Prepaid expenses	<u>4,012</u>
Total current assets	<u>639,982</u>
Property and equipment, at cost:	
Furniture and fixtures	6,280
Equipment	6,857
Computer equipment	<u>21,880</u>
	35,017
Less accumulated depreciation	<u>33,872</u>
Property and equipment, net	<u>1,145</u>
Other assets:	
N.C. Section 529 Plans	3,763
Website design, net	251
Right of use asset, net	<u>20,637</u>
Total other assets	<u>24,651</u>
Total assets	<u>\$ 665,778</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 11,113
Unearned government contract revenue	182,440
Lease liability - current	<u>15,326</u>
Total current liabilities	<u>208,879</u>
Lease liability - noncurrent	<u>6,568</u>
Total liabilities	<u>215,447</u>
Net assets:	
Without donor restrictions	369,358
With donor restrictions	<u>80,973</u>
Total net assets	<u>450,331</u>
Total liabilities and net assets	<u>\$ 665,778</u>

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

The North Carolina Council on Economic Education, Inc.
Statement of Activities
for the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets:			
Support, revenue and gains:			
Contributions	\$ 7,646	\$ -	\$ 7,646
Sponsorships	24,208	10,000	34,208
Government contract revenue	671,618	-	671,618
Other contract revenue	28,400	-	28,400
Grants revenue	140,000	96,500	236,500
Investment loss, net	(197)	-	(197)
Miscellaneous income	15,443	-	15,443
Net assets released from restriction	<u>50,838</u>	<u>(50,838)</u>	<u>-</u>
Total support, revenue and gains	<u>937,956</u>	<u>55,662</u>	<u>993,618</u>
Expenses:			
Programs	899,081	-	899,081
Management and general	<u>54,441</u>	<u>-</u>	<u>54,441</u>
Total expenses	<u>953,522</u>	<u>-</u>	<u>953,522</u>
Changes in net assets	(15,566)	55,662	40,096
Net assets at the beginning of the year	<u>384,924</u>	<u>25,311</u>	<u>410,235</u>
Net assets at the end of the year	<u>\$ 369,358</u>	<u>\$ 80,973</u>	<u>\$ 450,331</u>

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

The North Carolina Council on Economic Education, Inc.
Statement of Functional Expenses
for the year ended December 31, 2022

	<u>Program Service</u>	<u>Management and General</u>	<u>Total</u>
Salaries and employee benefits	\$ 165,690	\$ 18,411	\$ 184,101
Payroll tax expense	11,998	1,334	13,332
Teacher training	365,326	-	365,326
Professional fees	113,519	19,894	133,413
Travel and supplies	90,337	4,755	95,092
Workshop materials and expenses	66,544	-	66,544
Meals	48,845	-	48,845
Lease expense	12,432	4,143	16,575
Stock market game	12,495	-	12,495
Office supplies and expense	2,999	749	3,748
Telephone and internet	2,785	696	3,481
Insurance	1,781	446	2,227
Depreciation and amortization expense	-	2,196	2,196
Scholarships and awards	1,617	-	1,617
Meetings and conferences	1,300	-	1,300
Retirement plan fees	-	1,297	1,297
Utilities	649	216	865
Postage and printing	434	48	482
Bank service charges	-	223	223
Taxes and licenses	203	-	203
Dues and subscriptions	127	33	160
	\$ <u>899,081</u>	\$ <u>54,441</u>	\$ <u>953,522</u>

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

The North Carolina Council on Economic Education, Inc.
Statement of Cash Flows
for the year ended December 31, 2022

Cash flows from operating activities:	
Changes in net assets	\$ 40,096
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	2,196
Realized and unrealized loss on investments, net	203
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	15,065
Grant receivable	158,942
Right of use asset, net	15,656
Increase (decrease) in liabilities:	
Accounts payable	537
Unearned government contract revenue	182,440
Lease liability	<u>(14,399)</u>
Net cash provided by operating activities	<u>400,736</u>
Cash flows for investing activities:	
Capital expenditures	(751)
Purchases of investments, net	<u>(1,757)</u>
Net cash used in investing activities	<u>(2,508)</u>
Net increase in cash and cash equivalents	398,228
Cash and cash equivalents - beginning of year	<u>183,874</u>
Cash and cash equivalents - end of year	<u>\$ 582,102</u>

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

The North Carolina Council on Economic Education, Inc.
Notes to Financial Statements
December 31, 2022

1. ORGANIZATION

Founded in 1970, The North Carolina Council on Economic Education, Inc. (Council) is a nonprofit organization that seeks to enhance and advance economic and financial education for K-12 educators and students of North Carolina. The Council provides financial literacy courses, workshops and programs, and economic education training to more than 1,000 North Carolina teachers each year.

The Council seeks to accomplish its mission through standards-based workshops and a variety of resources for educators, academic competitions for students, and advocacy for financial education and training in school systems throughout the state.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Basis of Presentation

The Council's financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in its Statement of Financial Accounting Standards ASC 958, *Not-for-Profit Entities*.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Council places its cash and cash equivalents on deposit with local financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) provides coverage up to \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage for certain qualifying and participating non-interest-bearing transaction accounts. The Council exceeded the insured amount as of December 31, 2022 by \$342,881.

Receivables

Accounts receivable consist of (a) expenses paid by the Council due from other organizations from collaborative events; (b) stock market game fees due from individuals and other organizations; (c) reimbursements due from teachers in accordance with certain grant requirements; and (d) reimbursements due from third parties for other reasons. Grant receivable consists of funding awarded to the Council during the year and was not yet received.

All receivables are stated at the amount management expects to collect from outstanding balances. Based on experience, management believes that they are fully collectible. Therefore, no allowance for doubtful accounts has been recorded. In the event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the receivables balance.

The North Carolina Council on Economic Education, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Website Design

Property and equipment acquisitions of \$500 or more are capitalized at cost when purchased or at fair market value at date of gift when donated. The Council uses the direct expense method of recording all major maintenance activities related to its facilities. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Equipment	5 years
Computer equipment	5 years

Depreciation expense for the year ended December 31, 2022 was \$283.

Costs associated with the Council's website design and development are amortized over a 5-year period. Amortization expense for the year ended December 31, 2022 was \$1,913.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes previous lease accounting guidance. ASU 2016-02 requires lessees to recognize most leases on their statement of financial position via a right of use asset and lease liability and provide additional qualitative and quantitative disclosures. The standard is effective for the Council for the calendar year ending 2022, but the standard permits early adoption. The Council early adopted the standard effective January 1, 2020 and, therefore, has recognized a right of use asset and lease liability on its statement of financial position and disclosed qualitative and quantitative information in Note 6 herein.

Net Assets

Net assets and revenues received are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions that are temporary or perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed and/or when the stipulated purpose for which the resource was restricted has been fulfilled.

Revenue from Contracts

Revenues from contracts are recognized in the period for which they are earned. Contract revenues received prior to the period earned are reported as unearned government contract revenue as described in Note 7.

The North Carolina Council on Economic Education, Inc.
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Tax Status

The Council is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from North Carolina income taxes, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services of the Council have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated on the basis of estimates made by the Council's management.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Subsequent Events

Subsequent events have been evaluated through September 13, 2023, which is the date the financial statements were available to be issued. Management discovered a subsequent event that should be disclosed as described in Note 7.

3. LIQUIDITY AND AVAILABILITY

Financial assets without donor or other restrictions limiting their use that are available for general expenditure within one year of December 31, 2022 are as follows:

Cash and cash equivalents	\$ 582,102
Accounts receivables	3,868
Grant receivable	<u>50,000</u>
	\$ <u>635,970</u>

Management believes these assets are sufficient to provide for operations in the coming year as the total represents approximately one year of the Council's operating expenditures. In addition, the Council has a reliable and expanding donor base, government contracts, and stable leadership. To manage liquidity, management regularly prioritizes expenditures and adheres to the Council's detailed monthly budget plan.

The North Carolina Council on Economic Education, Inc.
Notes to Financial Statements
December 31, 2022

4. FAIR VALUE MEASUREMENTS

The Council follows FASB ASC 820, Fair Value Measurements and Disclosures, which establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP). At December 31, 2022, the Council had mutual funds that were carried at fair value for which the disclosure requirements of FASB ASC 820 applies.

FASB ASC 820 establishes three levels of inputs that may be used to measure fair value: Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date; Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active market for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or Level 3: Unobservable inputs that are supported by little or no market activity and that reflect the Council’s own assumptions about market participants and prices.

Fair value of assets measured on a recurring basis at December 31, 2022 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ <u>3,763</u>	\$ <u>3,763</u>	\$ <u>-</u>	\$ <u>-</u>

5. SECTION 529 ACCOUNTS

The Council maintains several N.C. Section 529 accounts with the College Foundation of North Carolina. These accounts are established as scholarship awards that are granted to the first-place winners of a localized version of the statewide stock market game competition. Established in 2012, this program is a joint effort of the Youth Education for Savings Consortium, The North Carolina Council on Economic Education, and the Garner Road Community Center. Individuals are typically granted between \$250 and \$500 each, and funding for the program is received from Square 1 Bank of Durham. Withdrawals are made as disbursements to educational institutions in accordance with state and federal regulations. Balances for the N.C. Section 529 accounts are presented at fair market value.

During the year ended December 31, 2022, the Council reported the following activity:

Beginning value, January 1, 2022	\$	2,207
Contributions		1,750
Investment fees		(3)
Interest earned		2
Change in market value		(193)
Ending value, December 31, 2022	\$	<u>3,763</u>

The North Carolina Council on Economic Education, Inc.
Notes to Financial Statements
December 31, 2022

6. OPERATING LEASE AND LEASE LIABILITY

The Council follows Accounting Standards Codification Topic 842, *Leases* and as such has recognized both right of use asset and corresponding lease liability on the statement of financial position for its executed lease at December 31, 2022. The asset and liability are amortized over the life of the lease. The lease liability is presented net of a discount on future cash flows under the lease terms. The rate implicit in the lease (2.50%) is used to discount the lease liability.

As of May 2019, the Council leases its office space under a noncancelable operating lease agreement for 5 years. The current operating lease agreement, which provides for graduated monthly payments of between \$1,225 and \$1,319 expires in April 2024. Lease expense during the 2022 was \$16,575.

Below summarizes the reconciliation of the undiscounted operating lease liability as of December 31, 2022:

Undiscounted lease liability	\$ 22,290
Discount at 2.50%	<u>396</u>
Net lease liability	\$ <u><u>21,894</u></u>

Future Maturities

Future minimum lease payments under the operating lease as of December 31, 2022 are as follows:

<u>Year ended December 31:</u>	
2023	\$ 15,326
2024	<u>6,964</u>
	\$ <u><u>22,290</u></u>

Amortization expense on the lease liability and asset for the year ended December 31, 2022 was \$14,113.

7. UNEARNED GOVERNMENT CONTRACT REVENUE

In July 2019, the North Carolina Legislature passed House Bill 924 which mandates an economics and personal finance course for high school students must be completed prior to graduation. Accordingly, the Council entered into an \$1,063,000 contract with the State to provide teacher training programs. Revenue is recognized as the Council expends resources for providing training to the teachers throughout the state. The Council received the full amount of the contract during 2022. As of December 31, 2022, the Council had \$182,440 of unearned government contract revenue.

These funds are contractually required to be utilized for providing training to teachers prior to June 30, 2023 or be returned to the North Carolina Department of Public Instruction.

Subsequent to the year end, the Council fulfilled its contractual obligations prior to June 30, 2023.

The North Carolina Council on Economic Education, Inc.
Notes to Financial Statements
December 31, 2022

8. EMPLOYEE BENEFIT PLANS

The Council has a qualified deferred compensation plan in the form of a retirement savings plan with a section 401(k) provision. Employees aged eighteen and older are allowed to enter the plan after 90 days of employment and are eligible to receive a matching contribution from the Council. Contributions to the plan are made through voluntary contributions by eligible participants not to exceed limits set by the Internal Revenue Code. The Council makes nonelective matching employer contributions to eligible participants equal up to 5% of their eligible compensation each year. Total contributions were \$8,504 for the year ended December 31, 2022.

9. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, the Council had net assets with donor restrictions for the following purposes:

Special events	\$ 47,382
National Personal Finance Challenge	2,069
Teacher training	<u>31,522</u>
Total net assets with donor restrictions	<u>\$ 80,973</u>

10. CONCENTRATION

Approximately 93% of the Council's receivables were due from one grantor and 68% of the Council's revenues were from one government contract at December 31, 2022. Approximately 94% of the Council's payables were due to two vendors at December 31, 2022.

11. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed the program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

12. RELATED PARTY AND AFFILIATE TRANSACTIONS

The Council is an affiliate of the Council for Economic Education (CEE), a national organization which focuses on the economic and financial education of students from kindergarten through high school. The Council received \$70,158 in grants during the year.

The Council's board of directors contributed \$3,403 during the year ended December 31, 2022.



MPCCompany LLP
Certified Public Accountants

4600 Marriott Drive, Suite 300 | Raleigh, North Carolina 27612
Tel (919) 836-9200 | Fax (919) 836-9288 | www.mpcllp.com

J. Micah Pate, III
Thomas M. Doherty
Brian T. Bennett
Alex Lehmann
Michael J. Palazzo, III

Angela W. Banask

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*

Independent Auditors' Report

Board of Directors
The North Carolina Council on Economic Education, Inc.

We have audited 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, the financial statements of The North Carolina Council on Economic Education, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The North Carolina Council on Economic Education, Inc.'s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The North Carolina Council on Economic Education, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The North Carolina Council on Economic Education, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001, 2022-003, and 2022-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The North Carolina Council on Economic Education, Inc.'s financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-005.

The North Carolina Council on Economic Education, Inc.'s Response to Findings

The North Carolina Council on Economic Education, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The North Carolina Council on Economic Education, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MPC Company LLP

September 13, 2023

The North Carolina Council on Economic Education, Inc.
Schedule of Findings and Responses
for the year ended December 31, 2022

Finding 2022-001

Type of Finding: Material weakness in internal control over financial reporting.

Criteria: A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures.

Condition: The Council is not able to prepare financial statements that include all the disclosures and schedules as required by U.S. GAAP and *Government Auditing Standards*.

Cause: The Council does not have staff with the skills and knowledge to prepare financial statements in accordance with U.S. GAAP and *Government Auditing Standards*.

Effect: As the Council is unable to prepare financial statements on their own, departures from U.S. GAAP or *Government Auditing Standards* may not be detected.

Recommendation: The Council should consider employing or contracting an individual or firm with the skills and knowledge to draft the annual financial statements in accordance with U.S. GAAP and *Government Auditing Standards*.

Responsible Official's Response: The NCCEE is a small organization and the cost of a having a staff CPA familiar with US GAAP and Government Auditing Standards outweighs the benefits.

Finding 2022-002

Type of Finding: Significant deficiency in internal control over financial reporting.

Criteria: There are generally four phases for an accounting process or operation: authorization, custody, record keeping, and reconciliation. A well-designed system of internal control contemplates the allocation of duties among staff such that each of these four functions would be performed by a different person.

Condition: The Council does not have proper segregation of duties as it relates to the cash disbursement process, as the same individual records expenditures and reconciles the cash accounts.

Cause: There is only one staff that performs certain functions.

Effect: Due to the improper segregation of duties, misstatements within the Council's financial statements could go undetected.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Responsible Official's Response: With a staff of 3 people in 2022, the ability to have a separation of duties is difficult. NCCEE has policies in place to mitigate risks. Additionally, staff will confer with the board treasurer regarding these controls.

The North Carolina Council on Economic Education, Inc.
Schedule of Findings and Responses
for the year ended December 31, 2022

Finding 2022-003

Type of Finding: Material weakness in internal control over financial reporting.

Criteria: An internal control structure should be designed to identify necessary adjusting journal entries, which are significant to an organization's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: During the course of our audit, numerous adjustments were proposed to management to correct various account balances.

Cause: General ledger account balances were not properly reconciled to supporting schedules or records prior to the commencement of the financial statement audit.

Effect: Material audit adjustments were required to various general ledger account balances having a significant effect on the reported amounts. Several of these errors were associated with policies and procedures not in place to keep financial records on the accrual basis of accounting. Not recording activity in the proper period can lead to departures from U.S. GAAP reporting.

Recommendation: We recommend that management implement policies and procedures to ensure general ledger account balances are properly reconciled to supporting schedules or records to facilitate accurate and complete financial reporting.

Responsible Official's Response: NCCEE will work to implement policies that would ensure that general ledger account balances are properly reconciled regularly.

Finding 2022-004

Type of Finding: Material weakness in internal control over financial reporting.

Criteria: A system of internal control over financial reporting includes retaining supporting documentation and proper authorizations for recording journal entries.

Condition: The Council does not have proper record retention policies and procedures to ensure journal entries recorded are properly supported and authorized.

Cause: Staff adjusted transactions throughout the year without authorization from or the knowledge of management.

Effect: Financial records were changed without management's knowledge or approval.

Recommendation: Policies and procedures are put into place to ensure that changes to the financial records are properly documented, reviewed, and approved prior to recording.

Responsible Official's Response: NCCEE will implement policies and procedures to ensure that changes to the financial records are properly documented reviewed and approved prior to recording.

The North Carolina Council on Economic Education, Inc.
Schedule of Findings and Responses
for the year ended December 31, 2022

Finding 2022-005

Type of Finding: Significant deficiency in internal controls over compliance.

Criteria: A system of internal control over compliance includes consistent treatment of similar expenditures and maintains appropriate supporting documentation for expenditures.

Condition: The Council recorded expenditures of a similar nature to inconsistent expense account codes. Additionally, two audit selected expenditures lacked sufficient supporting documentation for the amount coded to the State contract.

Cause: Insufficient policies and procedures for obtaining and maintaining documentation and noting the account codes to ensure consistent treatment of the expenditures.

Effect: The award recipient was not in compliance to maintain sufficient and appropriate internal controls over the State program.

Recommendation: Policies and procedures are put into place to ensure expenditures for the State contract are properly supported and consistently recorded within the financial records.

Responsible Official's Response: NCCEE will implement policies and procedures to ensure expenditures for the State contract are properly supported and recorded with consistency within the financial records. A new bookkeeper has been hired and will be instructed on the proper procedures with guidance from an accounting firm familiar with US GAAP.