

FINANCIAL STATEMENT AUDIT REPORT OF
ONslow COUNTY PARTNERSHIP FOR CHILDREN,
INC.

JACKSONVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020

BOARD OF DIRECTORS
MICHAEL YANIERO, BOARD CHAIR

ADMINISTRATIVE OFFICER
DAWN ROCHELLE, EXECUTIVE DIRECTOR

Onslow County Partnership for Children, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Exhibits	
A Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis	6
B Statement of Functional Expenditures - Modified Cash Basis	7
Notes to Financial Statements	8
Supplementary Information	
1 Schedule of Contract and Grant Expenditures - Modified Cash Basis	23
2 Schedule of Federal and State Awards - Modified Cash Basis	24
3 Schedule of Property and Equipment - Modified Cash Basis	26
4 Schedule of Qualifying Match (Non-GAAP)	27
Independent Auditor's 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>	28

Independent Auditor's Report

To Board Members of
Onslow County Partnership for Children, Inc.
Jacksonville, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Onslow County Partnership for Children, Inc., which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2020, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets of the Onslow County Partnership for Children, Inc., as of and for the year ended June 30, 2020, and the Statement of Functional Expenditures for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Other Matters

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Schedule 4 on page 27 is not a required part of the basic financial statements but is supplementary information required by the North Carolina Office of the State Auditor. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on Schedule 4.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Onslow County Partnership for Children, Inc. The accompanying supplementary Schedules 1, 2, and 3 are also presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of Onslow County Partnership for Children, 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 Onslow County Partnership for Children, Inc.'s 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 Onslow County Partnership for Children, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Charlotte, North Carolina
December 15, 2020

Onslow County Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2020

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 4,726,251	\$ 15,033	\$ 4,741,284
Federal Awards	5,937,702	1,264	5,938,966
Private Contributions	9,662	9,130	18,792
Special Fund Raising Events	86,469	-	86,469
Sales Tax Refunds	30,247	-	30,247
Other Receipts	167,544	662,445	829,989
Total Receipts	10,957,875	687,872	11,645,747
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	69,456	(69,456)	-
	11,027,331	618,416	11,645,747
Expenditures:			
Programs:			
Child Care and Education Affordability	1,565,443	-	1,565,443
Child Care and Education Quality	1,432,815	-	1,432,815
Family Support	2,907,892	-	2,907,892
NC Pre-K	4,404,614	-	4,404,614
Support:			
Fund Raising	40,848	-	40,848
Management and General	740,290	-	740,290
Program Planning, Coordination and Evaluation	274,668	-	274,668
Other:			
Refund Prior year Grant	21,473	-	21,473
Other Program Support	221,093	-	221,093
Sales Tax Paid	25,867	-	25,867
Total Expenditures	11,635,003	-	11,635,003
Excess (Deficiency) of Receipts Over Expenditures	(607,672)	618,416	10,744
Net Assets at Beginning of Year	479,082	297,163	776,245
Net Assets at End of Year	\$ (128,590)	\$ 915,579	\$ 786,989
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ (124,932)	\$ 905,579	\$ 780,647
Beneficial Interest in Community Foundation	-	10,000	10,000
	(124,932)	915,579	790,647
Less: Due to State	9,261	-	9,261
Funds Held for Others	(5,603)	-	(5,603)
Total Net Assets	\$ (128,590)	\$ 915,579	\$ 786,989

The Accompanying Notes are an Integral Part of the Financial Statements.

Onslow County Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2020

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 1,564,774	\$ 1,489	\$ -	\$ 1,786	\$ -	\$ -	\$ -	\$ 1,561,499
Child Care and Education Quality	1,365,367	1,047,416	48,251	19,826	89,808	132,071	27,995	-
Family Support	547,091	357,954	22,334	17,446	61,113	68,024	20,220	-
	<u>3,477,232</u>	<u>1,406,859</u>	<u>70,585</u>	<u>39,058</u>	<u>150,921</u>	<u>200,095</u>	<u>48,215</u>	<u>1,561,499</u>
Support:								
Fundraising	40,843	9,635	25,115	1,681	3,456	956	-	-
Management and General	317,751	225,791	23,525	2,872	21,113	40,167	4,283	-
Program Planning, Coordination and Evaluation	272,850	237,960	3,524	482	18,889	10,152	1,843	-
	<u>631,444</u>	<u>473,386</u>	<u>52,164</u>	<u>5,035</u>	<u>43,458</u>	<u>51,275</u>	<u>6,126</u>	<u>-</u>
Total Smart Start Fund Expenditures	\$ 4,108,676	\$ 1,880,245	\$ 122,749	\$ 44,093	\$ 194,379	\$ 251,370	\$ 54,341	\$ 1,561,499
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 669	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654
Child Care and Education Quality	67,448	50,249	737	7,059	5,700	1,494	581	1,628
Family Support	2,360,801	1,338,094	137,872	134,703	156,799	120,729	71,761	400,843
NC Pre-K	4,404,614	266,191	17,588	36,835	24,167	11,728	5,630	4,042,475
	<u>6,833,532</u>	<u>1,654,549</u>	<u>156,197</u>	<u>178,597</u>	<u>186,666</u>	<u>133,951</u>	<u>77,972</u>	<u>4,445,600</u>
Support:								
Fund Raising	5	-	-	-	5	-	-	-
Management and General	422,539	252,072	65,080	10,523	57,052	30,121	7,691	-
Program Planning, Coordination and Evaluation	1,818	-	-	68	1,750	-	-	-
Other Program Support	221,093	135,651	43,900	11,909	19,835	5,197	1,601	3,000
	<u>645,455</u>	<u>387,723</u>	<u>108,980</u>	<u>22,500</u>	<u>78,642</u>	<u>35,318</u>	<u>9,292</u>	<u>3,000</u>
Other:								
Refund of Prior Year Grant	21,473	-	-	-	-	21,473	-	-
Sales Tax Paid	25,867	-	-	25,867	-	-	-	-
	<u>47,340</u>	<u>-</u>	<u>-</u>	<u>25,867</u>	<u>-</u>	<u>21,473</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	\$ 7,526,327	\$ 2,042,272	\$ 265,177	\$ 226,964	\$ 265,308	\$ 190,742	\$ 87,264	\$ 4,448,600

The Accompanying Notes are an Integral Part of the Financial Statements.

ONLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose – The Onslow County Partnership for Children, Inc. (Onslow Partnership) is a legally separate nonprofit organization incorporated on June 26, 1998. The Onslow Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Onslow Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. Basis of Presentation - The accompanying financial statements present all funds for which the Onslow Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting Standards for *Not-For-Profit Entities*, the accompanying financial statements present information according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are the part of net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Net assets with donor restrictions are the part of net assets subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). As permitted by this Standard, contributions with donor restrictions received and expended in the same year are reported as receipts without donor restrictions rather than receipts with donor restrictions.

Contributions with donor restrictions that are not expended within the year received are reported as an increase in net assets with donor restrictions. When the 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 Receipts, Expenditures, and Net Assets as net assets released from restrictions.

C. Basis of Accounting - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long-lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificates of deposit and other short-term investments with an original maturity of three months or less.
- E. Beneficial Interest in Community Foundation** - This classification consists of funds invested with North Carolina Community Foundation as reported in Note 14. These amounts are included in the amounts shown in the With Donor Restrictions column of Exhibit A and represent the irrevocable principal in an endowment fund as described more fully in Note 15.
- F. Due to State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Onslow Partnership acts in an agency capacity. For the year ended June 30, 2020, the Onslow Partnership was holding amounts withheld from employee paychecks for distribution to authorities as well as awaiting payments from employees for insurance premiums as follows:

Health Insurance Payable	\$	3,866
Dental Insurance		1,242
Vision Insurance		515
Ameriflex FSA/DCA		320
Literacy Donations		20
American Funds (401K)		(348)
UNUM Premium		(12)
		<hr/>
	\$	<u>5,603</u>

- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Onslow Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 3 of this report. Onslow Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original price, which may be different from their valuation as of June 30, 2020. Donated items are recorded on the property and equipment log at estimated acquisition value at the date of donation, which is defined as the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.
- I. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated

absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9A.

J. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Onslow Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

K. Qualifying Match and Contributions In-Kind – The Onslow Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 4. The match includes cash received and expended at the Partnership level, which is included in the modified cash basis financial statements. The qualifying match reported on Schedule 4 for cash provided at the contractor level and for in-kind goods and services at both the Partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions could be donated equipment, supplies, office space, or services. The Onslow Partnership also benefits from donor volunteer hours which do not require specific expertise, but which are nonetheless central to the Onslow Partnership operations. See supplemental Schedule 4 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

All funds of the Onslow Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Deposits over insured amounts subject the Onslow Partnership to a concentration of credit risk. At June 30, 2020, the Onslow Partnership's bank deposits in excess of the FDIC insured limit was \$635,399.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - One of the Onslow Partnership's major sources of revenue is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Onslow Partnership and represents a concentration of credit risk as to the generation of revenue.

The Onslow Partnership was awarded and has received \$4,117,937 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership has refunded \$9,261 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2020.

The Onslow Partnership expects to receive continued funding through new Smart Start contracts with the State.

Multi-County Accounting and Contracting - The Onslow Partnership also received revenue and support from the State for their participation in the Multi-

County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership was awarded, has received and expended \$185,500 under a current year contract for payment of accounting services.

The Onslow Partnership expects to receive continued funding through new contracts with the State.

Dolly Parton Imagination Library - The Onslow Partnership was awarded \$74,504, received \$30,000 and expended \$59,470 under a current year Dolly Parton Imagination Library Expansion Grant (DPIL) with NCPC. As allowed by program regulation, the unexpended balance of the current year contract is available to carry forward to the subsequent year.

The Onslow Partnership expects to receive continued funding through new DPIL contracts with NCPC.

NC Pre-K - Another of the Onslow Partnership's major sources of revenue is from the State of North Carolina and DHHS for the NC Pre-K program. The Onslow Partnership was awarded \$4,563,910 and received \$408,008 in state funds and \$3,508,058 in federal funds and expended \$3,533,352 in Federal funds and \$866,485 in State funds under a current year financial assistance contract.

The Onslow Partnership expects to receive continued funding through new NC Pre-K contracts with the State of North Carolina. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Onslow Partnership and represents a concentration of credit risk as to the generation of revenue.

Early Head Start - The Onslow Partnership was awarded \$865,563 and has received \$447,564 in federal funds and expended \$443,473 under a contract with the US Department of Health and Human Services Administration for Children and Families (US DHHS) for an Early Head Start Grant. The term of this contract is January 1, 2019 through December 31, 2019.

Early Head Start - The Onslow Partnership was awarded \$865,563 and has received \$370,100 in federal funds and expended \$377,023 under a contract with the US DHHS for an Early Head Start Grant. The term of this contract is January 1, 2020 through December 31, 2020. The balance of the award of the contract will be received and expended after June 30, 2020.

Early Head Start/Child Care Partnership - The Onslow Partnership was awarded \$1,230,000 and has received \$668,212 in federal funds and expended \$655,085 under a contract with the US DHHS for an Early Head Start Grant. The term of this contract was March 1, 2019 through February 29, 2020. The Onslow Partnership has refunded \$11,828 of this contract to the USDHHS based on financial reports submitted to USDHHS after February 29, 2020. The balance of the award of the contract will be carried over into the next grant cycle of March 1, 2020 through February 29, 2021 once approved.

Early Head Start/Child Care Partnership - The Onslow Partnership was awarded \$820,000 and has received \$244,271 in federal funds and expended \$245,016 under a contract with the USDHHS for an Early Head Start Grant. The

term of this contract is March 1, 2020 through February 29, 2021. The balance of the award of the contract will be received and expended after June 30, 2020.

The Onslow Partnership expects to receive continued funding through new contracts with US Department of Health and Human Services. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Onslow Partnership and represents a concentration of credit risk as to the generation of revenue.

Early Head Start (one-time allocation) - The Onslow Partnership was awarded \$4,750 in a previous year in order to support EHS staff and families related to trauma. The Onslow Partnership expended \$703 in State funds and \$3,497 in Federal funds.

Governor's Crime Commission - The Onslow Partnership was awarded \$270,810 under a two year contract for Child Advocacy Center Services. The Onslow Partnership has received \$44,637 in federal funds from the North Carolina Department of Public Safety and expended \$35,355 under a prior year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2017 through September 30, 2019.

Governor's Crime Commission - The Onslow Partnership was awarded \$440,048 under a two year contract with the North Carolina Department of Public Safety for Enhanced Victim Services. The Onslow Partnership has received \$95,585 in federal funds and expended \$80,264 under a prior year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2017 through September 30, 2019.

Governor's Crime Commission - The Onslow Partnership was awarded \$445,335 under a two year contract for Child Advocacy Center Services. The Onslow Partnership has received \$111,351 in federal funds from the North Carolina Department of Public Safety and expended \$145,538 under a current year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2019 through September 30, 2021. The balance of the award of the contract will be received and expended after June 30, 2020.

Governor's Crime Commission - The Onslow Partnership was awarded \$443,358 under a two year contract with the North Carolina Department of Public Safety for Enhanced Victim Services. The Onslow Partnership has received \$110,577 in federal funds and expended \$135,737 under a current year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2019 through September 30, 2021. The balance of the award of the contract will be received and expended after June 30, 2020.

A significant reduction in the level of funding from the North Carolina Department of Public Safety could have an adverse effect on the operations of the Onslow Partnership and represents a concentration of credit risk as to the generation of revenue.

21st Century Community Learning Centers - The Onslow Partnership was awarded \$273,957 annually from the North Carolina Department of Public Instruction (NCDPI) as part of a three-year grant. The Onslow Partnership received \$87,012 and expended \$61,760 in federal funds for year 2. These funds are designated to create and continue the LEAD afterschool program. The

Onslow Partnership has refunded \$9,645 of this contract to NCDPI based on financial reports submitted to NCDPI during the year ended June 30, 2020. The term of this contract was July 1, 2018 to September 30, 2019.

21st Century Community Learning Centers - The Onslow Partnership was awarded \$273,957 annually from the NCDPI as part of a three-year grant. The Onslow Partnership received \$160,294 and expended \$159,333 in federal funds for year 3. The term of this contract was July 1, 2019 to September 30, 2020. This grant was terminated in mid-July, 2020 due to COVID-19 and its effect on the school calendar.

The Onslow Partnership does not expect to receive continued funding through new contracts with NCDPI.

Regional Child Care Resource & Referral Program (CCR&R) - The Onslow Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost reimbursement pass-through contract with Martin/Pitt Partnership for Children (MPPFC) for the Regional Child Care Resource & Referral Program. The Onslow Partnership was awarded, received and expended \$33,331. The term of the contract was July 1, 2019 to June 30, 2020.

The Onslow Partnership expects to receive continued funding through new contracts with MPPFC.

Child Advocacy Centers of North Carolina (NCCAC) - The Onslow Partnership was awarded \$50,000 and received \$12,515 in federal funds from the North Carolina Department of Health and Human Services (NCDHHS) for a prior year NCCAC grant. The NCCAC grant is a state funded initiative to help offset costs to run a child advocacy center. The term of the contract was July 1, 2018 through June 30, 2019.

Child Advocacy Centers of North Carolina (NCCAC) - The Onslow Partnership was awarded and expended \$45,500. The Onslow Partnership received \$9,100 in state funds and \$33,459 in federal funds from the North Carolina Department of Health and Human Services (NCDHHS) for a current year NCCAC grant. The NCCAC grant is a state initiative to help offset costs to run a child advocacy center. The term of the contract was July 1, 2019 through June 30, 2020.

The Onslow Partnership expects to receive continued funding through new contracts with NCDHHS.

National Children's Alliance - The Onslow Partnership has received and expended \$7,000 of federal funds under a prior year reimbursement contract with the National Children's Alliance. The term of the contract was for January 1, 2019 to December 31, 2019.

The Onslow Partnership expects to receive continued funding through new contracts with NCCAC/NCA.

ESSA Preschool Development Grant - The Onslow Partnership was awarded, received and expended \$5,000 in federal funds from the NC DHHS for the ESSA Preschool Development Grants Birth Through Five funds.

The Onslow Partnership does not expect to receive continued funding through new ESSA contracts with the NC DHHS.

Paycheck Protection Program Loan – The Onslow Partnership received additional revenue and support from First-Citizens Bank & Trust Company in the form of a forgivable loan dated May 19, 2020 with a maturity date of May 19, 2022 and a maximum principal balance of \$707,400. Under the modified cash basis of accounting (See Note 1), loan proceeds are recognized as revenue in the period which they are received. The Onslow Partnership received \$707,400 of this loan during the year ended June 30, 2020, of which \$44,955 was expended. In order for the loan to be forgiven, the Onslow Partnership must use the proceeds of the loan for its payroll costs and other expenses in accordance with the requirements of the Paycheck Protection Program. During the year ended June 30, 2020, no amount of interest was expended. As of June 30, 2020, the remaining principal balance on the loan was \$707,400. If the loan is not forgiven, the loan bears interest at a rate of 1% per annum, which is recognized as an expense when paid and monthly payments of interest and principal commence December 19, 2020. If the loan is not forgiven, following are the annual principal payments through maturity:

Fiscal Year	Payments
2021	\$ 271,701
2022	435,699
Total Future Principal Payments	<u>\$ 707,400</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Onslow Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Onslow Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Onslow Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Affordability - Used to account for service activities associated with State subsidy contract and services support (Division of Child Development and Early Education) [DCDEE], Head Start wraparound/extended day, dual subsidy and dual subsidy administration. Head Start classrooms and coordination, child care transportation for

subsidized children, part-day subsidy programs, subsidy preschool classes and public pre-K subsidy. Also, support for part-day programs for children not in full time care.

Child Care and Education Quality - Used to account for service activities including or associated with quality enhancement and maintenance, child care resource and referral, professional development and supplements, literacy for child care providers, child care substitutes, provider training, mentoring programs, AmeriCorps, special needs – early intervention support for child care professionals, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, kindergarten orientation/transition, or health insurance benefits for child care providers.

Family Support - Used to account for service activities including or associated with family resource centers, teen parent/child programs, ongoing parenting education, general family support, family intervention, literacy or family literacy projects, transportation services, community systems building and public awareness, and home visiting.

NC Pre-K - Used to account for development and implementation of NC Pre-kindergarten program for four-year-olds. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Planning, Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, daily practices, and evaluation of service delivery, needs assessment and strategic planning. Also, costs associated with providing technical assistance, monitoring and reporting of in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

Other Program Support - Expenditures incurred to provide support to organizations in the form of curriculum, books, supporting materials, and training.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on employee time reports.

Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were indirectly allocated based on estimates of utilization.

NOTE 6 - LEASE OBLIGATIONS

A. Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2020:

Fiscal Year	Operating Leases
2021	\$ 230,721
2022	235,336
2023	240,042
2024	244,843
2025	207,425
Total Minimum Lease Payments	<u><u>\$ 1,158,367</u></u>

Rental expense for all operating leases during the year was \$349,282.

B. Capital Lease Obligations - Capital lease obligations relating to copier/print equipment and postage meter are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2020:

Fiscal Year	Capital Leases
2021	\$ 3,761
2022	3,761
2023	2,054
2024	1,200
Total Minimum Lease Payments	<u><u>\$ 10,776</u></u>

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 401(k) Plan - The Onslow Partnership has an IRC Section 401(k) plan. All costs of administering the plan are the responsibility of the plan participants. The Onslow Partnership contributed up to 6% of gross wages for the year ended June 30, 2020. Employees may make voluntary contributions to the plan. For the year ended June 30, 2020, the Onslow Partnership contributed \$109,075.

NOTE 8 - RISK MANAGEMENT

The Onslow Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to

employees; employees' health and life; and natural disasters. The Onslow Partnership manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation - employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the Onslow Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** - As a result of the Onslow Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2020 is \$158,179. No funds or reservation of net assets have been made for this commitment.
- B.** In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2020, there was no significant impact to the Onslow Partnership's operations. However, the Onslow Partnership is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Onslow Partnership's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Onslow Partnership's financial position, results of operations, and cash flows.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Net Assets With Donor Restrictions – Net assets with donor restrictions at June 30, 2020 are available for the following purposes:

Purpose	Amount
Child Advocacy Center	\$ 220,199
Literacy Activities	835
EHS Federal Grant for Trauma	303
Keeping Kids Safe	3,758
Keeping Kids Safe (USAA)	2,045
Dolly Parton Imagination Library	15,033
LEAD Program	961
Federal Payroll Protection Plan	662,445
	<u>\$ 905,579</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2020 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Child Advocacy Center	\$ 18,245
Literacy Activities	99
EHS Federal Grant for Trauma	3,800
EHS State Grant for Trauma	703
Keeping Kids Safe	138
Keeping Kids Safe (USAA)	1,967
Dolly Parton Imagination Library	44,504
	<u>\$ 69,456</u>

C. Net Assets With Donor Restrictions - Endowments restricted in perpetuity at June 30, 2020 were restricted for the following purposes:

Purpose	Amount
NC Community Foundation	\$ 10,000
	<u>\$ 10,000</u>

NOTE 11 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects Onslow Partnership's financial assets as of June 30, 2020 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2020:

Financial assets at year-end	\$	786,989
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time and purpose restrictions (See Note 10A)		(905,579)
Permanently restricted by donor (See Note 10C)	\$	<u>(10,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>(128,590)</u></u>

The Onslow Partnership is supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Onslow Partnership must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

The Onslow Partnerships does not have a liquidity management policy as of June 30, 2020. Discussions with the Onslow Partnership Board of Directors about this policy have taken place, but due to COVID-19, have been delayed.

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS DEFICT

As of June 30, 2020, net assets without donor restrictions had a deficit of \$128,590. Under the modified cash basis of accounting (Note 1), revenues are recognized when received and expenditures are recognized when paid. As of June 30, 2020, the Onslow Partnership had not received reimbursement for expenditures related to the NC-Pre K Program in the amount of \$483,772 which were received and recognized in a subsequent period. The deficit in net assets without donor restrictions is directly related to timing of reimbursed receipts and recognition of revenue under the basis of accounting. As of June 30, 2020, the foregoing deficit amounts for net assets without donor restriction did not result in a deficit amount for total net assets on the Statement of Receipts, Expenditures, and Net Assets.

NOTE 13 - INCOME TAXES

The Onslow Partnership is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. The Onslow Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2020.

Income tax returns for 2017 through 2019 remain open to examination by the tax authorities.

NOTE 14 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Onslow Partnership is the beneficiary of an endowment established through the North Carolina Community Foundation. The agreement between the Onslow Partnership and the North Carolina Community Foundation provides that all the contributions to the endowment are irrevocable. The North Carolina Community Foundation will make distributions of the income earned on the endowment, subject to the North Carolina Community Foundation’s spending policy. The agreement also permits the North Carolina Community Foundation to substitute another beneficiary in the place of Onslow Partnership if the Onslow Partnership ceases to exist or if the Onslow Partnership ceases to be an organization described in Internal Revenue Code Sections 170c and 501c(3). Therefore, the Onslow Partnership has explicitly granted variance power to the North Carolina Community Foundation. The Onslow Partnership’s endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as the beneficial interest in the North Carolina Community Foundation. The fair value of the endowment administered by the North Carolina Community Foundation on behalf of the Onslow Partnership at June 30, 2020 was \$10,000; however, under the modified cash basis of accounting, the original cost basis of contributions are reported on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis.

NOTE 15 - ENDOWMENT

Interpretation of Endowment Under Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Through June 30, 2020, the Onslow Partnership’s management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA’s most significant changes is the elimination of UMIFA’s important concept of historic dollar threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The Onslow

Partnership's endowment consists of a beneficial interest in a community foundation. Endowments include donor-restricted endowment funds.

Basis of Endowment Accounting

Under the modified cash basis of accounting, the Onslow Partnership records contributions and endowment investment earnings on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Contributions from funds held, raised or collected by Onslow Partnership and processed through its bank accounts are recorded as permanently restricted net assets.

Contributions from funds held, raised or collected by the Onslow Partnership but not processed through its bank accounts are not recorded. Permanently restricted contributions sent directly by a third party to the community foundation are not recorded in the general ledger of the Onslow Partnership. There were no such third party contributions directly to the foundation during the year ended June 30, 2020. Similarly, investment earnings and expenses of endowments held by the community foundation are not recorded in the general ledger of the Onslow Partnership, unless such earnings and expenses pass through its bank accounts.

Endowment net asset composition by fund type as of June 30, 2020 follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Funds	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

NOTE 16 - SUBSEQUENT EVENTS

The Onslow Partnership has evaluated events and transactions that occurred between June 30, 2020 and December 15, 2020, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2020.

This information is an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

**Onslow County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2020**

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Abundance of Love & Learning	\$ 39,600	\$ -	\$ 115,050	\$ -
Childcare Network Inc. #79	29,000	-	111,800	-
Childcare Network Inc. #79B	16,500	-	-	-
Childcare Network Inc. #80	46,900	-	117,000	-
Childcare Network Inc. #81	38,200	-	115,375	-
Children's Castle Childcare	36,750	-	110,825	-
Children's Castle School Age	17,000	-	-	-
Excel Learning Centers IX LLC	45,300	-	398,146	-
Excel Learning Center VIII LLC	182,350	-	445,200	-
Excel Learning Centers X LLC	51,650	-	224,400	-
Excel Learning Centers XI LLC	175,200	-	344,050	-
Excel Learning Centers XII LLC	272,250	-	328,550	-
Jolly Bee Childcare	26,250	-	-	-
Kids Educational Center V, Inc	30,250	-	-	-
New Beginnings Child Care #II	46,700	-	228,800	-
New Beginnings Child Care #III	178,200	-	340,750	-
New Beginnings Child Care, Inc	168,950	-	230,500	-
Onslow County Child	32,250	-	1,008,000	-
Onslow County Schools	-	-	214,475	-
Precious Resources Inc	49,850	-	-	-
Shiloh Institute	27,050	-	107,700	-
Sneads Ferry Quality CC & PreK	11,599	-	-	-
Teachable Moments	39,700	-	400	-
Onslow County Department of Social Services	-	-	-	-
	<u>1,561,499</u>	<u>-</u>	<u>4,441,021</u>	<u>-</u>
Individuals:				
Early Head Start - Gas Cards	-	-	1,000	-
Early Head Start - Socialization Activities for Participants	-	-	497	-
Early Head Start - Policy Council Member Training	-	-	1,200	-
Safe Kids - Car Seats	-	-	1,628	-
LEAD Field Trips for participants (6905)	-	-	3,000	-
Kevin McConnell (Subsidy re-payment to an estate of previous child care)	-	-	254	-
	<u>-</u>	<u>-</u>	<u>7,579</u>	<u>-</u>
	<u>\$ 1,561,499</u>	<u>\$ -</u>	<u>\$ 4,448,600</u>	<u>\$ -</u>

* These organizations are represented on the Onslow Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

Onslow County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2020

Schedule 2

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Pass-through from Child Care Services Association, Inc.				
Pass-through from Martin/Pitt Partnership for Children				
Child Care Resource and Referral (Current Year)	93.575	3840-103	\$ 33,331	\$ 33,331
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Child Care and Development Fund (NC Pre-K) (Current Year)	* 93.575	38229	64,097	89,391
Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	** 93.558	38229	3,443,961	3,443,961
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
ESSA Preschool Development Grants Birth Through Five Funds (NC Pre-K) (Current Year)	93.434	39433	5,000	5,000
Unites States Department of Education				
Pass-through from the North Carolina Department of Public Instruction				
21st Century Community Learning Centers (Prior Year)(Year 2)	84.287C	S287C170033 - YR 2	87,012	61,760
21st Century Community Learning Centers (Prior Year Reversion)	84.287C	S287C170033 - YR 2	-	9,645
21st Century Community Learning Centers (Current Year)(Year 3)	84.287C	S287C170033 - YR 3	160,294	159,333
United States Department of Health and Human Services				
Administration For Children and Families, Office of Head Start				
Early Head Start (Prior Year)	* 93.600	04CH4779-05-01	447,564	443,473
Early Head Start (Current Year)	* 93.600	04CH011295-01-01	370,100	377,023
Early Head Start (Prior Year) - Child Care Partnership Grant	* 93.600	04HP000132-01-00	668,212	655,085
Early Head Start (Prior Year) - Child Care Partnership Grant (Prior Year Reversion)	* 93.600	04HP000132-01-00	-	11,828
Early Head Start (Current Year) - Child Care Partnership Grant	* 93.600	04HP000132-02-01	244,271	245,016
Early Head Start (Prior Year 17.18)	* 93.600	N/A	-	3,497
United States Department of Justice				
Pass-through from the North Carolina Department of Crime Control & Public Safety				
Pass-through from the Governor's Crime Commission				
Crime Victim Assistance (Child Advocacy Center Services) (Prior Year)	16.575	PROJ012376	44,637	35,355
Crime Victim Assistance (Enhanced Victim Services) (Prior Year)	16.575	PROJ012377	95,585	80,264
Crime Victim Assistance (Child Advocacy Center Services) (Current Year)	16.575	PROJ013504	111,351	145,538
Crime Victim Assistance (Enhanced Victim Services) (Current Year)	16.575	PROJ013615	110,577	135,737
Subtotal			5,885,992	5,935,237

Onslow County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2020

Schedule 2 (Continued)

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
United States Department of Health and Human Services				
North Carolina Department of Health and Human Services				
Division of Social Services - Block Grant				
Pass-through from the Child Advocacy Centers of NC	93,667	37387	12,515	-
Child Advocacy Center Grant (Prior Year)	93,667	38928	33,049	35,990
Child Advocacy Center Grant (Current Year) (79.1%)	93,669	38928	410	410
Child Abuse & Neglect (Current Year) (Represents .90% of Total Grant Amount)				
United States Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the National Children's Alliance				
Pass-through from the Children's Advocacy Centers of NC	16,758	Jack-NC-SA19	7,000	7,000
Children's Advocacy National Subgrant Programs (Prior Year)				
Total Federal Awards			5,938,966	5,978,637
State Awards:				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.	*	N/A	4,108,676	4,108,676
Early Childhood Initiatives Program (Current Year)		N/A	185,500	185,500
Multi-Partnership Accounting and Contracting Grant (Current Year)		N/A	30,000	59,471
Dolly Parton Imagination Library Expansion (Current Year)				
North Carolina Department of Health and Human Services				
Division of Social Services - Block Grant				
Pass-through from the Child Advocacy Centers of NC				
Child Advocacy Center Grant (Current Year) (20%)		38928	9,100	9,100
North Carolina Department of Health and Human Services				
Division of Child Development				
North Carolina Pre-Kindergarten Program (Current Year)	*	38229	408,008	866,485
United States Department of Education				
Pass-through from the North Carolina Department of Public Instruction				
Early Head Start (Prior Year)		36857	-	703
Total State Awards			4,741,284	5,229,935
Total Federal and State Awards			\$ 10,680,250	\$ 11,208,572

* Programs with compliance requirements that have a direct and material effect on the financial statements.

** Major Programs per the Uniform Guidance.

Onslow County Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2020

Schedule 3

Furniture and Noncomputer Equipment	\$ 373,886
Computer Equipment/Printers	<u>261,390</u>
Total Property and Equipment	<u><u>\$ 635,276</u></u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

Onslow County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2020

Schedule 4

Match Provided at the Partnership Level:

Cash	\$ 1,905,794
In-Kind Goods and Services	<u>16,168</u>
	<u>\$ 1,921,962</u>

Match Provided at the Contractor Level:

Cash	\$ -
In-Kind Goods and Services	<u>-</u>
	<u>\$ -</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2018-5, Section 11B.8.(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this Partnership in meeting the statewide match requirement.

The amounts shown above as allowable for the Partnership in meeting its match requirement do not include allowable amounts included in the North Carolina Families Accessing Services through Technology (NCFAST) system as this information was not available in a timely manner for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2020, Smart Start met the legislative statewide match requirement and will be waiving penalties for local partnerships that do not meet their match requirement for the fiscal year ended June 30, 2020.

Independent Auditor's 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 Board Members of
Onslow County Partnership for Children, Inc.
Jacksonville, North Carolina

We have audited, in accordance with the 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 Onslow County Partnership for Children, Inc. (a nonprofit organization), which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2020, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2020.

As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Onslow County Partnership for Children, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit 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 Onslow County Partnership for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Onslow County Partnership for Children, Inc.'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 Onslow County Partnership for Children, Inc.'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 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 those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Onslow County Partnership for Children, Inc.'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 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 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 Onslow County Partnership for Children, Inc.'s internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Onslow County Partnership for Children, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
December 15, 2020