

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

JACKSONVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2022

BOARD OF DIRECTORS

JULIA COLLINS, 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	22
2 Schedule of Federal and State Awards - Modified Cash Basis	23
3 Schedule of Property and Equipment - Modified Cash Basis	25
4 Schedule of Qualifying Match (Non-GAAP) (Unaudited)	26
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>	27

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets - Modified Cash Basis of the Onslow County Partnership for Children, Inc., as of and for the year ended June 30, 2022, and the Statement of Functional Expenditures - Modified Cash Basis for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Onslow County Partnership for Children, 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.

Emphasis of Matter - 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.

Responsibilities of Management 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 and for 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.

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 Onslow County Partnership for Children, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 Onslow County Partnership for Children, 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 Onslow County Partnership for Children, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedule 4 on page 26 is presented for purposes of additional analysis as required by the North Carolina Office of the State Auditor, and is not a required part of the financial statements. 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.

The accompanying supplementary information in Schedules 1, 2, and 3 on pages 22, 23, and 25 is presented for purposes of additional analysis and is 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 the 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 February 20, 2023, 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
February 20, 2023

Onslow County Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2022

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 7,280,510	\$ 70,084	\$ 7,350,594
Federal Awards	4,438,471	-	4,438,471
Private Contributions	49,674	5,200	54,874
Special Fund Raising Events	132,564	-	132,564
Interest and Investment Earnings	1,026	-	1,026
Sales Tax Refunds	22,650	-	22,650
Other Receipts	270,202	-	270,202
Total Receipts	12,195,097	75,284	12,270,381
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	5,403	(5,403)	-
	12,200,500	69,881	12,270,381
Expenditures:			
Programs:			
Child Care and Education Affordability	1,717,885	-	1,717,885
Child Care and Education Quality	1,422,575	-	1,422,575
Family Support	3,899,905	-	3,899,905
NC Pre-K	4,454,955	-	4,454,955
Support:			
Fund Raising	46,791	-	46,791
Management and General	793,112	-	793,112
Program Planning, Coordination and Evaluation	199,423	-	199,423
Other:			
Refund of Prior Year Grant	35,505	-	35,505
Sales Tax Paid	24,479	-	24,479
Total Expenditures	12,594,630	-	12,594,630
Excess (Deficiency) of Receipts Over Expenditures	(394,130)	69,881	(324,249)
Net Assets at Beginning of Year	558,770	185,687	744,457
Net Assets at End of Year	\$ 164,640	\$ 255,568	\$ 420,208
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 212,225	\$ 245,568	\$ 457,793
Beneficial Interest in Community Foundation	-	10,000	10,000
	212,225	255,568	467,793
Less: Due to State	46,136	-	46,136
Funds Held for Others	1,449	-	1,449
Total Net Assets	\$ 164,640	\$ 255,568	\$ 420,208

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, 2022

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 Funds:								
Programs:								
Child Care and Education Affordability	\$ 1,717,885	\$ -	\$ -	\$ 2,830	\$ -	\$ -	\$ -	\$ 1,715,055
Child Care and Education Quality	1,359,035	1,110,986	49,786	13,377	84,229	95,827	4,830	-
Family Support	970,584	645,886	142,395	15,742	81,202	79,063	6,296	-
	<u>4,047,504</u>	<u>1,756,872</u>	<u>192,181</u>	<u>31,949</u>	<u>165,431</u>	<u>174,890</u>	<u>11,126</u>	<u>1,715,055</u>
Support:								
Fund Raising	46,677	38,138	8,539	-	-	-	-	-
Management and General	369,743	245,895	39,361	3,579	36,770	42,972	1,166	-
Program Planning, Coordination and Evaluation	199,353	162,805	15,810	690	17,344	2,320	384	-
	<u>615,773</u>	<u>446,838</u>	<u>63,710</u>	<u>4,269</u>	<u>54,114</u>	<u>45,292</u>	<u>1,550</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 4,663,277</u>	<u>\$ 2,203,710</u>	<u>\$ 255,891</u>	<u>\$ 36,218</u>	<u>\$ 219,545</u>	<u>\$ 220,182</u>	<u>\$ 12,676</u>	<u>\$ 1,715,055</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 63,540	\$ 48,986	\$ 28	\$ 915	\$ 5,660	\$ 5,941	\$ 780	\$ 1,230
Family Support	2,929,321	1,273,186	436,678	140,222	133,598	140,932	158,042	646,663
NC Pre-K	4,454,955	283,165	22,936	88,228	13,023	26,091	297	4,021,215
	<u>7,447,816</u>	<u>1,605,337</u>	<u>459,642</u>	<u>229,365</u>	<u>152,281</u>	<u>172,964</u>	<u>159,119</u>	<u>4,669,108</u>
Support:								
Fund Raising	114	-	-	-	80	34	-	-
Management and General	423,369	300,359	63,294	1,055	43,262	15,233	166	-
Program Planning, Coordination and Evaluation	70	-	-	-	50	20	-	-
	<u>423,553</u>	<u>300,359</u>	<u>63,294</u>	<u>1,055</u>	<u>43,392</u>	<u>15,287</u>	<u>166</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	35,505	-	-	-	-	35,505	-	-
Sales Tax Paid	24,479	-	-	24,479	-	-	-	-
	<u>59,984</u>	<u>-</u>	<u>-</u>	<u>24,479</u>	<u>-</u>	<u>35,505</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 7,931,353</u>	<u>\$ 1,905,696</u>	<u>\$ 522,936</u>	<u>\$ 254,899</u>	<u>\$ 195,673</u>	<u>\$ 223,756</u>	<u>\$ 159,285</u>	<u>\$ 4,669,108</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 13. 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 14.
- 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, 2022, 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:

Purpose	Amount
Retirement Cont. Payable	\$ (2)
Health Insurance Payable	775
AFLAC Premium	(107)
Health Savings Account	25
Dental Insurance	(1,057)
Vision Insurance	131
Ameriflex FSA/DCA	1,675
PrePaid Legal	9
	\$ 1,449

- 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, 2022. 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 contributions of cash and other financial assets, and nonfinancial assets. Contributions of cash and other financial assets, received and expended at the Partnership level, are recognized as revenue when they are received and as expenditures when they are paid and are included in the modified cash basis financial statements. For valuation of contributions of other financial assets and nonfinancial assets, the Onslow Partnership utilizes fair value on the date of the gift. Nonfinancial assets could be donated equipment, supplies, office space, or services. The Onslow Partnership also benefits from donor volunteer hours which do not require special expertise, but which are nonetheless central to the Onslow Partnership's operations. During the year ended June 30, 2022, the Onslow Partnership did not receive any contributions of other financial assets. Under the modified cash basis of accounting, the qualifying match reported on Schedule 4 for cash provided at the contractor level and for donated assets and services at both the Partnership and contractor levels is not recorded. See supplemental Schedule 4 for more information on the contributions of nonfinancial assets.

L. Implementation of Accounting Standard - For the year ended June 30, 2022, the Onslow Partnership adopted ASU 2020-07 07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. The Onslow Partnership has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

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 (per bank).

Deposits over insured amounts subject the Onslow Partnership to a concentration of credit risk. At June 30, 2022, deposits in excess of the FDIC insured limit was \$321,480.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - The Onslow Partnership's major source of revenue and support 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 \$4,710,523 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 \$46,136 of this contract to the State based on financial status reports submitted to NCPC subsequent to

June 30, 2022. During the year ended June 30, 2022, the Onslow Partnership has refunded \$1,111 of a prior year contract to the State.

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

NC Pre-K - The Onslow Partnership also received revenue and support from the State of North Carolina and DHHS for the NC Pre-K 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 \$4,734,646, received \$4,203,045 and expended \$4,142,025 under a current year financial assistance contract. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership received \$326,250 and expended \$312,813 under a prior year NC Pre-K contract. The Onslow Partnership also refunded \$35,505 of the prior year contract to the State during the year ended June 30, 2022. The Onslow Partnership also received \$9,240 of LETRS funding for Substitutes or Stipends for NC Pre-K Lead Teachers.

The Onslow Partnership expects to receive continued funding through new NC Pre-K contracts with the State of North Carolina.

Multi-Partnership Accounting and Contracting - The Onslow Partnership also received revenue and support from the State for their participation in the Multi-Partnership Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership was awarded, received and expended \$191,397 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's Imagination Library - The Onslow Partnership was awarded \$31,378, received \$30,000 and expended \$31,315 under a current year Dolly Parton's 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.

Child Care and Development Block Grant - The Onslow Partnership received revenue and support from the DHHS 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 \$33,331, received \$33,219 and expended \$33,331. The term of the contract was July 1, 2021 to June 30, 2022.

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

Early Head Start Home Visitation - The Onslow Partnership was awarded \$928,414 and has received \$721,348 and expended \$699,158 in federal funds under a prior year contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract is January 1, 2020 through December 31, 2024.

The Onslow Partnership was also awarded \$928,414 and has received and expended \$44,818 in federal funds under a current year contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract is January 1, 2020 through December 31, 2022. The balance of the award of the contract will be received and expended after June 30, 2022.

The Onslow Partnership expects to receive continued funding through new contracts with US Department of Health and Human Services.

Early Head Start/Child Care Partnership - The Onslow Partnership was awarded \$871,000 and has received \$653,258 and expended \$634,364 in deferral funds under a prior year contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract was March 1, 2019 through February 28, 2024. The balance of the award of the contract will be received and expended after June 30, 2022.

The Onslow Partnership was awarded \$871,000 and has received \$399,960 in federal funds and expended \$477,357 under a prior year contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract was March 1, 2019 through February 28, 2024. The balance of the award of the contract will be received and expended after June 30, 2022.

The Onslow Partnership was awarded \$881,382 and has received and expended \$16,053 in federal funds under a prior year contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract was March 1, 2019 through February 28, 2024. The balance of the award of the contract will be received and expended after June 30, 2022.

The Onslow Partnership expects to receive continued funding through new contracts with US Department of Health and Human Services.

Early Head Start/American Rescue Plan - The Onslow Partnership was awarded \$170,712 and has received and expended \$43,789 in federal funds authorized by the American Rescue Plan Act under a prior year contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract is April 1, 2021 through March 31, 2023. The balance of the award of the contract will be received and expended after June 30, 2022.

The Onslow Partnership expects to receive continued funding through new contracts with US Department of Health and Human Services.

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 \$85,184 in federal funds from the North Carolina Department of Public Safety and expended \$68,656 under a prior year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2019 through September 30, 2021.

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 \$99,129 in federal funds and expended \$89,861 under a prior year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2019 through September 30, 2021.

The Onslow Partnership was awarded \$153,540 under a two-year contract with the North Carolina Department of Public Safety for Enhanced Victim Services. The Onslow Partnership has received \$39,688 in federal funds and expended \$48,011 under a current year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2021 through November 29, 2023.

The Onslow Partnership expects to receive continued funding through new contracts with North Carolina Department of Crime Control and Public Safety.

Children's Advocacy Center - The Onslow Partnership was awarded and expended \$454,141 under a current year grant with the Child Advocacy Centers of North Carolina (CACNC). The Onslow Partnership received \$137,467 and expended \$394,104 in state funds and received and expended \$60,037 in federal funds. The Children's Advocacy Center grant is a state initiative to help offset costs to run a child advocacy center. The term of the contract was July 1, 2021 through June 30, 2022. The Onslow Partnership also received \$2,469 of a prior year grant during the year ended June 30, 2022.

The Onslow Partnership received \$13,006 in federal funds from CACNC for a prior year CARES grant. The CARES grant was a federal initiative to help offset costs to run a child advocacy center due to COVID-19. The term of the contract was July 1, 2020 through June 30, 2021.

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

North Carolina Office of State Budget and Management (SCIF Grant) - The Onslow Partnership received a one-time allocation of funds to construct a new multipurpose facility for use by One Place. One Place was awarded this allocation; however, Onslow Partnership received the \$8,000,000 to hold until One Place could establish its own bank account. At that time, all remaining funds were transferred to One Place. The Onslow Partnership received \$16,431 and expended \$32,039 of this contract during the time period for which the money was held in Onslow Partnership bank accounts.

The Onslow Partnership does not expect to receive continued funding through new contracts with NC Office of State Budget and Management.

Paycheck Protection Program Loan - The Onslow Partnership received a forgivable loan of \$707,400 from First-Citizens Bank & Trust Company dated May 15, 2020 with a final maturity date of May 15, 2022. Under the modified cash basis of accounting (see Note 1), loan proceeds were recognized as revenue when received. 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. 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 in the amount of \$39,810 were required beginning December 19, 2020. The full balance of \$715,792 of the Paycheck Protection Program Loan was forgiven by First-Citizens Bank & Trust Company on July 28, 2021.

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 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, childcare 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 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 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-K prekindergarten 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.

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 noncancelable operating leases consist of the following at June 30, 2022:

Fiscal Year	Operating Leases
2023	\$ 240,042
2024	244,843
2025	207,425
Total Minimum Lease Payments	<u>\$ 692,310</u>

Rental expense for all operating leases during the year was \$250,505.

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, 2022:

Fiscal Year	Capital Leases
2023	\$ 2,054
2024	1,200
Total Minimum Lease Payments	<u>\$ 3,254</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 (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, 2022. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2022, the Onslow Partnership contributed \$129,175.

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:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
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** - Because 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, 2022 is \$160,696. No funds or reservation of net assets have been made for this commitment.
- B. Coronavirus Pandemic** - 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, 2022, 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 not in perpetuity at June 30, 2022 are restricted for the following purposes:

Purpose	Amount
Child Advocacy Center	\$ 164,488
Literacy Activities	2,041
Keeping Kids Safe	3,650
Keeping Kids Safe (USAA)	305
NC Pre-K	60,781
NC Pre-K LTRS	9,240
Dolly Parton Imagination Library Expansion	63
Bank of America - Mental Health	5,000
	<u>\$ 245,568</u>

B. Net Assets Released from Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2022 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Child Advocacy Center	\$ 1,609
Dolly Parton Imagination Library Expansion	1,378
Literacy Activities	85
Keeping Kids Safe	1,351
Keeping Kids Safe (USAA)	980
	<u>\$ 5,403</u>

C. Net Assets With Donor Restrictions - Endowments restricted in perpetuity at June 30, 2022 were restricted for the following purposes:

Purpose	Amount
NC Community Foundation	\$ 10,000

NOTE 11 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects Onslow Partnership's financial assets as of June 30, 2022 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2022:

Financial assets at year-end	\$	420,208
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)		(245,568)
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>	<u>164,640</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 Partnership does not have a liquidity management policy as of June 30, 2022.

NOTE 12 - 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, 2022.

Income tax returns for 2019 through 2021 remain open to examination by the tax authorities.

NOTE 13 - 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, 2022 was \$36,401; 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 14 - ENDOWMENT

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

Through June 30, 2022, 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, 2022. 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, 2022 follows:

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

NOTE 15 - SUBSEQUENT EVENTS

The Onslow Partnership has evaluated events and transactions that occurred between June 30, 2022 and February 20, 2023, 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, 2022 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, 2022.

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, 2022

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Above & Beyond ELC	\$ 19,550	\$ -	\$ -	\$ -
Abundance of Love & Learning	42,350	-	155,760	-
Brighter Beginnings CDC	20,800	-	-	-
Childcare Network Inc. #79	26,050	-	-	-
Childcare Network Inc. #79B	16,775	-	119,510	-
Childcare Network Inc. #80	42,275	-	101,510	-
Childcare Network Inc. #81	39,825	-	118,610	-
Children's Castle Childcare	39,550	-	-	-
Children's Castle School Age	15,700	-	119,510	-
ELA Kidsnet Holdings LLC	783,455	-	1,703,447	-
Excel Learning Centers IX LLC	*	-	86,925	-
Excel Learning Centers XI LLC	*	-	30,625	-
Giggles Drop-In Childcare, LLC	-	-	70	-
Jolly Bee Childcare	24,400	-	-	-
Kids Educational Center V, Inc	32,675	-	-	-
New Beginnings Child Care #I	46,200	-	298,020	-
New Beginnings Child Care #III	172,300	-	177,610	-
New Beginnings Child Care, Inc	181,300	-	311,520	-
Onslow County Child Development	34,500	-	-	-
Onslow County Schools	-	-	1,036,000	-
Precious Resources Inc	50,225	-	176,020	-
Shiloh Institute	21,850	-	-	-
Sneads Ferry Quality CC & PreK	-	-	67,500	-
Sneads Ferry Quality CC I	41,225	-	-	-
Sneads Ferry Quality CC II	25,150	-	162,520	-
Teachable Moments	38,900	-	-	-
	<u>1,715,055</u>	<u>-</u>	<u>4,665,157</u>	<u>-</u>
Individuals:				
CCR&R - DEI Taskforce Training	-	-	250	-
Early Head Start - Socializations for Participants	*	-	243	-
Safe Kids - Car Seats	-	-	980	-
CAC - MDT member training, Medical Provider Training	-	-	1,800	-
CAC - Respite Care Provider	-	-	214	-
EHS - gift baskets for NCHSA award recipients	*	-	464	-
	<u>-</u>	<u>-</u>	<u>3,951</u>	<u>-</u>
	<u>\$ 1,715,055</u>	<u>\$ -</u>	<u>\$ 4,669,108</u>	<u>\$ -</u>

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

See Independent Auditor's Report

Onslow County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2022

Schedule 2

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract Number	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				
Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	** *	93.558	\$ 1,771,983	\$ 1,771,983
COVID-19 - Child Care and Development Block Grant (CRRSA) (NC Pre-K) (Prior Year)	*	93.575	326,250	326,250
COVID-19 - Child Care and Development Block Grant (CRRSA) (NC Pre-K) (Current Year)	*	93.575	38,889	38,889
Child Care and Development Block Grant (NC Pre-K) (Current Year)	*	93.575	89,391	89,152
Child Care and Development Block Grant (NC Pre-K) (Prior Year)	*	93.575	-	6,718
United States Department of Health and Human Services				
Division of Social Services				
Pass-through from the Children's Advocacy Centers of North Carolina				
Social Services Block Grant (Children's Advocacy Center) (Prior Year)		93.667	2,469	-
Child Abuse and Neglect State Grants (Children's Advocacy Center) (Current Year)		93.669	681	681
Temporary Assistance for Needy Families (Current Year)	** *	93.558	59,356	59,356
United States Department of Treasury				
North Carolina Department of Health and Human Services				
Division of Social Services				
Pass-through from the Children's Advocacy Centers of North Carolina				
COVID-19 Coronavirus Relief Fund (CARES Act) (Children's Advocacy Center) (Prior Year)		21.019	13,006	-
United States Department of Justice				
Pass-through from the North Carolina Department of Public Safety				
Governor's Crime Commission				
Crime Victim Assistance (Child Advocacy Center Services) (Prior Year)		16.575	85,184	68,656
Crime Victim Assistance (Enhanced Victim Services) (Prior Year)		16.575	99,129	89,861
Crime Victim Assistance (Specialized Services) (Current Year)		16.575	39,688	48,011
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 and Development Block Grant (Current Year)		93.575	33,219	33,331

Onslow County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2022

Schedule 2 (continued)

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract Number	Receipts	Expenditures	
United States Department of Health and Human Services					
Administration for Children and Families					
Early Head Start (Prior Year)	*	93.600	04CH011295-02-04	721,348	699,158
Early Head Start (Current Year)	*	93.600	04CH011295-02-03	44,818	44,818
Early Head Start - Child Care Partnership Grant (Prior Year)	*	93.600	04HP000132-03-01	653,258	634,364
Early Head Start - Child Care Partnership Grant (Prior Year)	*	93.600	04HP000132-03-00	399,960	477,357
Early Head Start - Child Care Partnership Grant (Prior Year)	*	93.600	04HP000132-03-02	16,053	16,053
Early Head Start - American Rescue Plan (Prior Year)	*	93.600	04HE000614-01-01	43,789	43,789
Total Receipts and Expenditures of Federal Awards			4,438,471	4,448,427	
State Awards:					
North Carolina Department of Health and Human Services					
Division of Child Development and Early Education					
Pass-through from The North Carolina Partnership for Children, Inc.					
Early Childhood Initiatives Program (Prior Year)			N/A	(1,111)	(1,111)
Early Childhood Initiatives Program (Current Year)	*		N/A	4,664,388	4,664,388
Multi-Partnership Accounting and Contracting Grant (Current Year)	*		197:20/21-009	191,397	191,397
Dolly Parton's Imagination Library Expansion (Current Year)			N/A	30,000	31,315
North Carolina Department of Health and Human Services					
Division of Social Services					
Pass-through from the Children's Advocacy Centers of North Carolina					
Children's Advocacy Center Grant (Current Year) (86.78%)	*		42321	137,467	394,104
North Carolina Department of Health and Human Services					
Division of Child Development and Early Education					
NC Pre-K (Prior Year)			40312	-	15,350
NC Pre-K (Current Year)	*		42011	2,302,782	2,242,001
NC Pre-K (LETRS) (Current Year)	*		N/A	9,240	-
North Carolina Office of State Budget and Management					
SCIF Grant (Session Law (S.L.) 2021-180, amended by S.L. 2021-189)			30711	16,431	32,039
Total Receipts and Expenditures of State Awards			7,350,594	7,569,483	
Total Receipts and Expenditures of Federal and State Awards			\$ 11,789,065	\$ 12,017,910	

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

** Major Programs per Uniform Guidance.

See Independent Auditor's Report

Onslow County Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2022

Schedule 3

Furniture and Noncomputer Equipment	\$ 387,956
Computer Equipment/Printers	<u>330,119</u>
Total Property and Equipment	<u><u>\$ 718,075</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) (Unaudited)
For the Year Ended June 30, 2022

Schedule 4

Match Provided at the Partnership Level:

Cash	\$ 2,428,610
Contributions of nonfinancial assets	<u>26,635</u>
	<u>\$ 2,455,245</u>

Match Provided at the Contractor Level:

Cash	\$ -
Contributions of nonfinancial assets	<u>-</u>
	<u>\$ -</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2021-180, Section 9C.6.(d). The match is comprised of both cash and contributions of nonfinancial assets. Only contributions of nonfinancial assets that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the 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.

For the fiscal year ended June 30, 2022 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, 2022.

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, 2022, 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 February 20, 2023.

As described in Note 1, the financial statements were 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Onslow County Partnership for Children, Inc.'s internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Onslow County Partnership for Children, Inc.'s internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Onslow County Partnership for Children, 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 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
February 20, 2023