



ONslow COMMUNITY OUTREACH, INC.

Audited Financial Statements

for the year ended

December 31, 2020

(with comparative totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Onslow Community Outreach, Inc.
Jacksonville, North Carolina

We have audited the accompanying financial statements of Onslow Community Outreach, Inc. (OCO), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows, 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 accounting principles generally accepted in the United States of America. This includes 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 of 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 risk 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 financial position of OCO as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Comparative Information

We have previously audited OCO's 2019 financial statements and our report dated April 18, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 to 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 Schedule of Expenditures of Federal Awards 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 May 20, 2021, on our consideration of OCO'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 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 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 OCO's internal control over financial reporting and compliance.

Bearman CPA P.C.

Wilmington, North Carolina
May 20, 2021

Onslow Community Outreach, Inc.
Statement of Financial Position
as of December 31, 2020
(with comparative totals for 2019)

	12/31/20	12/31/19
Assets		
Cash and Cash Equivalents (Note 3c)	\$ 376,576	\$ 209,341
Grants Receivable (Note 5)	235,287	49,416
Inventory (Note 6)	38,878	25,060
Property & Equipment (Note 7)	2,329,241	1,407,787
Total Assets	2,979,982	1,691,604
 Liabilities & Net Assets		
Accounts Payable and Accrued Liabilities (Note 9)	62,967	39,010
Notes Payable (Note 10)	1,302,484	495,524
Total Liabilities	1,365,451	534,534
 Net Assets		
Without Donor Restrictions (Note 3b)	1,550,665	1,073,657
With Donor Restrictions (Notes 3b & 11)	63,866	83,413
Total Net Assets	1,614,531	1,157,070
Total Liabilities & Net Assets	\$ 2,979,982	\$ 1,691,604

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

Onslow Community Outreach, Inc.
Statement of Activities
for the year ended December 31, 2020
(with comparative totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue				
Grants & Contributions				
Private Grants & Contributions (Note 5)	\$ 646,781	\$ 241,823	\$ 888,604	\$ 713,551
Government Grants & Contracts (Note 5)	187,269	677,904	865,173	365,453
Donated Services (Note 11)	194,880	-	194,880	171,285
Donated Goods (Note 3d)	514,712	-	514,712	938,117
Total Grants & Contributions	1,543,642	919,727	2,463,369	2,188,406
Special Events	21,241	-	21,241	22,871
Other Income	7,510	-	7,510	26,415
Net Assets Released from Restriction	939,274	(939,274)	-	-
Total Revenue	<u>2,511,667</u>	<u>(19,547)</u>	<u>2,492,120</u>	<u>2,237,692</u>
Expense				
Program (Note 3e)	1,890,944		1,890,944	2,022,972
Management & General (Note 3e)	89,621		89,621	102,541
Fundraising (Note 3e)	54,094		54,094	46,017
Total Expense	<u>2,034,659</u>	<u>-</u>	<u>2,034,659</u>	<u>2,171,530</u>
Change in Net Assets	<u>477,008</u>	<u>(19,547)</u>	<u>457,461</u>	<u>66,162</u>
Net Assets Beginning of Year	1,073,657	83,413	1,157,070	1,090,908
Net Assets End of Year	<u>\$ 1,550,665</u>	<u>\$ 63,866</u>	<u>\$ 1,614,531</u>	<u>\$ 1,157,070</u>

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

Onslow Community Outreach, Inc.
Statement of Functional Expenses
for the year ended December 31, 2020
(with comparative totals for 2019)

Expense Type	Program	Management & General	Fundraising	2020 Total	2019 Total
Payroll	\$ 449,265	\$ 64,181	\$ 21,394	\$ 534,840	\$ 493,536
Contracted Services	118,802	9,000	8,766	136,568	109,177
Donated Medical Services (Note 11)	194,880	-	-	194,880	171,285
Donated Goods (Note 3d)	514,712	-	-	514,712	938,117
Pharmacy, Medical & Other Supplies	74,864	-	-	74,864	91,865
Client Assistance	294,410	-	-	294,410	61,066
Program Operations	29,001	6,448	23,934	59,383	94,282
Insurance	38,733	9,992	-	48,725	45,538
Occupancy & Vehicles	151,112	-	-	151,112	134,117
Interest (Note 9)	12,152	-	-	12,152	19,534
Depreciation (Note 7)	13,013	-	-	13,013	13,013
Total Expenses per Statement of Activities	\$ 1,890,944	\$ 89,621	\$ 54,094	\$ 2,034,659	\$ 2,171,530

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

Onslow Community Outreach, Inc.
Statement of Cash Flows
for the year ended December 31, 2020
(with comparative totals for 2019)

	2020	2019
Cash Flows from Operating Activity		
Change in Net Assets	\$ 457,461	\$ 66,162
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Changes in certain assets and liabilities:		
(Increase) / Decrease in Grants Receivable	(185,871)	(8,946)
(Increase) / Decrease in Inventory	(13,818)	33,831
Increase (Decrease) in Accounts Payable & Accrued Liabilities	23,957	(1,910)
Contributions Restricted for Building Fund	(71,666)	(80,967)
Depreciation	13,013	13,013
Net Cash Provided by (Used in) Operating Activities	223,076	21,183
Cash Flows from Investing Activities		
Purchases of Property & Equipment	(934,467)	(11,829)
Building Fund Contributions	71,666	80,967
Net Cash Provided by (Used in) Investing Activities	(862,801)	69,138
Cash Flows from Financing Activities		
Proceeds from Debt Financing	839,475	160,524
Repayment of Note Payable	(32,515)	(473,325)
Net Cash Provided by (Used in) Financing Activities	806,960	(312,801)
Net Increase (Decrease) in Cash and Cash Equivalents	167,235	(222,480)
Cash and Cash Equivalents, beginning of year	209,341	431,821
Cash and Cash Equivalents, end of year	\$ 376,576	\$ 209,341

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

Onslow Community Outreach, Inc.
Notes to the Audited Financial Statements
December 31, 2020

1. Organization

Onslow Community Outreach, Inc. (“OCO”) is a North Carolina nonprofit corporation organized in February 1990. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are tax deductible.

2. Mission and Activities

OCO aims to provide for the basic human care needs of less fortunate citizens of Onslow County, North Carolina. It seeks to fight hunger and homelessness, provide quality medical care to people who lack insurance and cannot afford health care, give benevolent assistance to families in financial crisis, and to help those less fortunate have a joyful Christmas. It seeks to be the personification of benevolence in the Onslow community.

OCO operates a soup kitchen, a homeless shelter and a free clinic (the Caring Community Clinic) providing both medical and dental services to the uninsured and low-income residents of Onslow County. It coordinates “Christmas Cheer,” assisting around 5,000 adults and children during the holiday season. In addition, it brings the local community together for an annual “Oktoberfest.”

3. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, “Not-for-Profit Entities,” requires the reporting of an organization’s activities by net asset class. The financial statements report net assets and changes in net assets based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

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Onslow Community Outreach, Inc.
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Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. *As of December 31, 2020, OCO held no net assets with permanent donor restrictions.* See Note 10 for a discussion of other donor-restricted net assets held as of December 31.

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

3d. Contributions, Grants and Contracts

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously). Also see *Note 10, Restrictions on Net Assets*.

Contributed services are only recorded if they meet the requirements for recognition discussed in *Note 11, Contributed Services*. Donations of pharmaceutical and medical supplies to the clinic are valued at replacement cost based on current wholesale prices of the items.

The organization receives a large amount of donated food that is distributed to clients through its soup kitchen. The agency logs and weighs all food received and assigns a fair value to the donation based on its weight. Donations are assigned a value based on the average price per pound established by the USDA. The donated food goods were valued at \$1.67 per pound. OCO also receives donated medicine and medical supplies from Direct Relief that is distributed through its clinic. The agency logs all medicine and supplies received and assigns a value to the donation based on the cost provided by Direct Relief. OCO also receives donated supplies

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Onslow Community Outreach, Inc.
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December 31, 2020

that are used in the shelter and for direct client assistance. The agency logs all supplies received and assigns values based on the costs of the individual items.

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

3e. Functional Allocation of Expenses

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis for the following expense categories:

<u>Expense Category</u>	<u>Method of Allocation by Function</u>
Payroll	Time and effort (e.g. staff members' time tracking)
Program Operations	Time and effort (e.g. staff members' time tracking)
Insurance	Time and effort (e.g. staff members' time tracking)
Occupancy & Vehicles	Usage of space (e.g. square footage by function)
Interest	Usage of space (e.g. square footage by function)
Depreciation	Usage of space (e.g. square footage by function)

The Statement of Functional Expenses presents these same expenses by both the functional category (program, management and general, and fundraising) and by natural classification (e.g. payroll, contracted services).

Management and General activities include the functions necessary to provide support for the organization's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

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Onslow Community Outreach, Inc.
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OCO hosts occasional special events designed to bring together the local community, raise funds for the organization, and bring greater awareness of its mission. Its primary special event is the annual Onslow County “Oktoberfest.” In recognizing special events revenue, OCO follows the guidance provided by FASB ASC-958-605, *Revenue Recognition*. OCO considers its events to be on-going and central to its operations and therefore records gross revenues. Event costs as well as other fundraising costs appear on the Statement of Functional Expenses.

3f. Property & Equipment

The organization capitalizes property and equipment costing more than \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset’s use. Also see *Note 7, Property & Equipment*.

3g. Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (with donor restrictions, without donor restrictions). Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, the summarized information should be read in conjunction with the organization’s financial statements for the prior year from which it is derived. Certain prior-year amounts have been reclassified to conform to the current year presentation.

4. Liquidity and Availability

OCO has calculated that as of December 31, 2020, it had financial assets (cash and receivables) of \$611,863 that will become available within one year for general expenditure. In 2020, the organization had average daily expenses of \$3,595, after excluding depreciation and donated goods and services. Therefore, the \$611,863 of available financial assets could theoretically fund operations for 164 days at 2020 expenditure levels.

As part of the organization’s liquidity management plan, cash in excess of daily requirements may be invested in short-term investments and money market funds.

5. Grants & Contributions

OCO receives its revenue from a wide variety of grant sources including both governmental and private agencies as well as individual and corporate supporters. Major components of support are summarized as follows.

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Onslow Community Outreach, Inc.
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Onslow Memorial Hospital	\$ 253,307
NC SECU Foundation	125,000
American Red Cross	65,000
Other Businesses, Foundations, Churches & individuals	<u>445,297</u>
Total Private Grants & Contributions	888,604
U.S. Small Business Admin. – PPP Grant (see Note 16)	94,635
City of Jacksonville Forgivable Loan (see Note 9)	30,000
City of Jacksonville – Other	62,634
Federal funds passed through State of NC (see page 20)	<u>677,904</u>
Total Government Grants & Contracts	865,173
Donated Goods & Services (see Note 11)	<u>709,592</u>
Total Grants & Contributions	\$ 2,463,369

Included in the above table is significant support from both private and public agencies specific to the coronavirus pandemic. OCO was the recipient of over \$400,000 of federal funding distributed through the NC Pandemic Recovery Office (NCPRO) and the NC Emergency Solutions grant program and these are more fully described on page 20 on the Schedule of Expenditures of Federal Awards. OCO used those funds to retain staffing and adjust operating procedures in order to safely serve its clients throughout 2020.

The grants receivable balance of \$235,287 consists of reimbursable expenses that were paid in the first quarter of the new year. As such, no allowance for uncollectible amounts has been established.

6. Inventory

Inventory consists of the soup kitchen’s food supplies of \$17,837, recorded at cost and the clinic’s primarily donated pharmaceutical and medical supplies of \$21,040, recorded at replacement cost based on wholesale prices of the donated inventory.

7. Property and Equipment

In October 2015, OCO purchased a building and land located at 1210 Hargett Street in Jacksonville, North Carolina for \$650,000. In October 2020, the homeless shelter and housing support center opened. The organization continues to renovate the property in order to ultimately provide a full-scale Services Center of more than 27,000 square feet for administrative and program space including a soup kitchen (also see *Note 9*). As such, the building and related improvements are listed within a “construction in progress” category in the table below.

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Onslow Community Outreach, Inc.
Notes to the Audited Financial Statements
December 31, 2020

As of December 31, 2020, the property and equipment balance of \$2,329,240 consisted of the following major categories, stated at cost:

Property Categories

Land	\$	96,876
Buildings & Improvements		363,776
Construction in Progress (Services Center)		
Land		358,050
Building		292,950
Improvements		<u>1,298,166</u>
		1,949,166
Vehicles & Equipment		<u>58,273</u>
Total Property & Equipment		2,468,091
Less accumulated depreciation		<u>(138,851)</u>
Property & Equipment, Net		\$ 2,329,240

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (up to 40 years for buildings and improvements, 3 to 7 years for furniture and equipment). Depreciation expense totaled \$13,013 and appears as a line item on the Statement of Functional Expenses.

8. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of \$62,967 consists of standard payroll-related liabilities and operational accounts payable.

9. Notes Payable

The organization's total long-term debt of \$1,302,484 consists of a loan from Coastal Bank & Trust with a principal balance of \$997,484 and \$305,000 from the City of Jacksonville. The loans are further described below.

Coastal Bank & Trust (\$997,484)

Under the terms of the loan, monthly payments of \$6,572, including interest at a fixed rate of 4.95% per annum, are due for 47 months and a final balloon payment is due in September 2024 of \$876,891. The loan is secured by the property at 1210 Hargett Street in Jacksonville, North Carolina.

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Onslow Community Outreach, Inc.
Notes to the Audited Financial Statements
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Interest expense for 2020 totaled \$12,152 and appears as a line item on the Statement of Functional Expenses.

City of Jacksonville (Community Development Block Grant Funding)

A combined loan balance of \$305,000 from the City of Jacksonville of federal pass-through Community Development Block Grant funds (CDBG) is forgivable at a rate of 10% per year over 10 years provided that certain conditions are met. The key milestones include completion of the specified renovations (on-going) and use of the facility throughout the 10-year term for community support functions. In 2020, the City forgave \$30,000 and this amount is included in government grant revenue (see Note 5).

Line of Credit

The organization also maintains a line of credit with Wells Fargo Bank to assist with seasonal cash flow needs. The line of credit has a limit of \$50,000 and was not used in 2020 and had no outstanding balance as of December 31.

10. Restrictions on Net Assets

The restrictions on net assets at the end of 2020 of \$63,866 relate to the unspent portion of funds restricted for use in the Christmas Cheer toy and food distribution. During the course of the year, \$939,274 of funds restricted by donors, principally for COVID-relief, were used for their intended purposes and were released from restriction.

11. Donated Services

The requirements for the recognition of contributed services in the financial statements are set forth in FASB ASC 958-605-25-16, "Contributed Services." Donated services should be recorded when (1) they create or enhance non-financial assets; or (2) they require specialized skills provided by individuals possessing those skills and are services that typically would be purchased if not provided by donation.

OCO has valued and recorded the donated services of its medical and dental professionals providing specialized skills. These professionals provided over 2,000 hours of services. OCO estimates that hourly rates for paid professionals in these capacities ranged from \$85 to \$100 per hour. As such, a calculated estimate of \$194,880 of contributed services revenue and offsetting expense is included on the Statement of Activities as the revenue line item "Donated Services" and on the Statement of Functional Expenses as the expense type "Donated Medical Services."

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Onslow Community Outreach, Inc.
Notes to the Audited Financial Statements
December 31, 2020

12. Agency Transactions

As part of its mission, OCO's Caring Community Clinic connects its patients to healthcare resources in the local community. In particular, it participates in a prescription assistance program with pharmaceutical suppliers. The program facilitates free medication access and management for uninsured, low income individuals. FASB ASC 958-605, "Revenue Recognition" provides guidance on the accounting for gifts directed to specified beneficiaries. It notes that if the recipient organization has little or no discretion in determining the use of the assets provided, a contribution should not be recognized. As such, the prescription medications provided by pharmaceutical suppliers to patients of the clinic *are not included* in OCO's Statement of Activities as either contributions revenue or donated pharmaceuticals expense.

13. Leases

In March 2016, OCO entered into a twelve-month agreement with a local corporation to lease a suite of offices to house its clinic operations. The lease requires monthly payments of \$3,075. OCO may exercise an option at the end of the lease term to extend its lease for two additional five-year terms. No updated lease agreements have been signed and OCO is currently paying rent month-to-month. Total rent expense for 2020 of \$36,900 appears within the "Occupancy" line item on the Statement of Activities.

14. Endowment Fund

OCO is the sole beneficiary of an annual distribution from the "Onslow Community Outreach Endowment Fund" and the "Caring Community Clinic Endowment Fund" of the North Carolina Community Foundation. The endowment funds are assets of the community foundation and therefore do not appear on the Statement of Financial Position of OCO.

15. Income Taxes

The organization is exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and the organization believes it is not subject to tax examinations for fiscal years prior to 2017.

16. Subsequent Events

As of the date of this report, the COVID-19 virus continues to create worldwide disruption to economic activity. While it is still too early to assess the long-term financial or programmatic impacts of this massive public health crisis, OCO continued to provide health care and community services throughout 2020 and received significant financial support to operate during the pandemic (see Note 5). OCO provided hazard pay at times to its staff in response to the

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Onslow Community Outreach, Inc.
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December 31, 2020

emergency and employees continued to work on-site and remotely. Management is actively monitoring State and federal relief bills and private grant sources for future funding opportunities.

OCO received a Paycheck Protection Program Forgivable Loan of \$94,635 which was fully forgiven in 2021 and is included in grant revenue (see Note 5) on the Statement of Activities in accordance with the guidance provided under FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, since the conditions for loan forgiveness have been substantially met.

OCO has evaluated events that have occurred subsequent to the statement of financial position date (December 31, 2020) and through the date that the Independent Auditor's Report was available to be issued and was issued (May 20, 2021). No events have occurred during that period that would require adjustments to the audited financial statements or disclosure in these notes other than as noted in the preceding paragraphs.

See the Independent Auditor's Report



**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 the Board of Directors
Onslow Community Outreach, 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 Community Outreach, Inc. (OCO), a nonprofit organization, which comprise the statement of financial position as December 31, 2020, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered OCO's internal control over financial reporting (internal control) to determine 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 OCO's internal control. Accordingly, we do not express an opinion on the effectiveness of OCO'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 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 is important enough to merit attention by those charged with governance.

Our consideration of the 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 these 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 OCO'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 determination of financial statement amounts. 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bearman CPA PC

Wilmington, North Carolina
May 20, 2021

Onslow Community Outreach, Inc.
Schedule of Expenditures of Federal Awards
for the year ended December 31, 2020

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of the Treasury		
Coronavirus Relief Fund		
Passed through the N.C. Pandemic Recovery Office (NCPRO)		
Coronavirus Relief Fund	21.019	\$ 265,822
U.S. Department of Housing and Urban Development (HUD)		
Emergency Solutions Grant Program		
Passed through the N.C. Department of Health and Human Services		
Emergency Solutions Grant Program	14.231	233,582
U.S. Department of Health and Human Services		
Health Resources and Services Administration (HRSA)		
Passed through the N.C. Department of Health and Human Services		
Central Management and Support - Office of Rural Health		
Consolidated Health Center - Health Center Cluster	93.224	125,922
U.S. Department of Homeland Security		
Emergency Food & Shelter National Board Program	97.024	52,578
Total Federal Expenditures		<u>\$ 677,904</u>

The accompanying notes are an integral part of this schedule.

Onslow Community Outreach, Inc.
Notes to the Schedule of Expenditures of Federal Awards
for the year ended December 31, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activities of OCO, passed through the State of North Carolina and its agencies, primarily under the programs “Coronavirus Relief Fund” and “Emergency Solutions Grant Program” for the year ended December 31, 2020.

The information in the Schedule is presented in accordance with the requirements of the applicable sections of *Title 2 U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of OCO, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

OCO received its federal funding indirectly as it was initially awarded to the State of North Carolina and passed through its agencies.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations, Part 230, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Subrecipients

OCO spent the federal funds presented in the Schedule directly and did not make awards to subrecipients.

4. Indirect Cost Rate

OCO did not elect to use the 10% de minimis indirect cost rate for reimbursement of overhead costs that non-federal entities may use if they have never received a negotiated indirect cost rate.

See the accompanying Schedule of Expenditures of Federal Awards