



**ONslow COMMUNITY OUTREACH, INC.**

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## ***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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Other Matter***

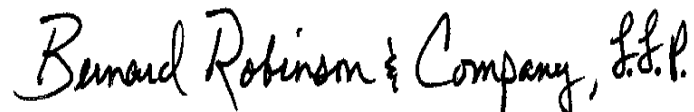
The financial statements of Onslow Community Outreach, Inc., as of and for the year ended December 31, 2020 were audited by other auditors whose report dated May 20, 2021, expressed an unmodified opinion on those statements. As discussed in Note 17 to the financial statements, the 2020 financial statements have been restated to correct the balances of property and equipment, construction in progress, and notes payable which were not recorded in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

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 and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 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 September 23, 2022, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial



Raleigh, North Carolina  
September 23, 2022

**ON SLOW COMMUNITY OUTREACH, INC.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

|   | <u>Assets</u>                     |                     |
|---|-----------------------------------|---------------------|
|   | <u>2021</u>                       | <u>2020</u>         |
| Assets:   |                                   |                     |
| Cash and cash equivalents                               | \$ 580,121                        | \$ 376,576          |
| Grants receivable                                       | 254,708                           | 235,287             |
| Inventory   | 39,636                            | 38,878              |
| Real estate held for sale                               | 60,343                            | -                   |
| Construction in progress                                | 691,556                           | 1,225,159           |
| Property and equipment, net of accumulated depreciation | 2,074,116                         | 1,101,736           |
| Total assets  | <u>\$ 3,700,480</u>               | <u>\$ 2,977,636</u> |
|   | <u>Liabilities and Net Assets</u> |                     |
| Liabilities:  |                                   |                     |
| Accounts payable and accrued liabilities                | \$ 47,327                         | \$ 62,967           |
| Notes payable   | 1,191,149                         | 1,277,484           |
| Total liabilities                                       | <u>1,238,476</u>                  | <u>1,340,451</u>    |
| Net Assets:   |                                   |                     |
| Without donor restrictions                              | 2,405,436                         | 1,573,319           |
| With donor restrictions                                 | 56,568                            | 63,866              |
| Total net assets  | <u>2,462,004</u>                  | <u>1,637,185</u>    |
| Total liabilities and net assets                        | <u>\$ 3,700,480</u>               | <u>\$ 2,977,636</u> |

**ONSLOW COMMUNITY OUTREACH, INC.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2021 and 2020**

|  | 2021                          |                            |                     | 2020                          |                            |                     |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| Revenue:   |                               |                            |                     |                               |                            |                     |
| Grants and Contributions:                                  |                               |                            |                     |                               |                            |                     |
| Private grants and contributions                           | \$ 529,823                    | \$ 141,269                 | \$ 671,092          | \$ 646,781                    | \$ 241,823                 | \$ 888,604          |
| Government grants and contracts                            | 56,000                        | 1,478,491                  | 1,534,491           | 92,634                        | 677,904                    | 770,538             |
| Donated services   | 183,800                       | -                          | 183,800             | 194,880                       | -                          | 194,880             |
| Donated goods  | 541,151                       | -                          | 541,151             | 514,712                       | -                          | 514,712             |
| Total grants and contributions                             | <u>1,310,774</u>              | <u>1,619,760</u>           | <u>2,930,534</u>    | <u>1,449,007</u>              | <u>919,727</u>             | <u>2,368,734</u>    |
| Special Events   | 31,192                        | -                          | 31,192              | 21,241                        | -                          | 21,241              |
| Paycheck protection program loan forgiveness               | 105,070                       | -                          | 105,070             | 94,635                        | -                          | 94,635              |
| Other Income   | 23,024                        | -                          | 23,024              | 7,510                         | -                          | 7,510               |
| Net assets released from restriction                       | <u>1,627,058</u>              | <u>(1,627,058)</u>         | <u>-</u>            | <u>939,274</u>                | <u>(939,274)</u>           | <u>-</u>            |
| Total revenue and net assets released<br>from restrictions | <u>3,097,118</u>              | <u>(7,298)</u>             | <u>3,089,820</u>    | <u>2,511,667</u>              | <u>(19,547)</u>            | <u>2,492,120</u>    |
| Expenses:  |                               |                            |                     |                               |                            |                     |
| Program  | 2,122,556                     | -                          | 2,122,556           | 1,890,944                     | -                          | 1,890,944           |
| Management and General                                     | 93,842                        | -                          | 93,842              | 89,621                        | -                          | 89,621              |
| Fundraising  | 48,603                        | -                          | 48,603              | 54,094                        | -                          | 54,094              |
| Total expenses   | <u>2,265,001</u>              | <u>-</u>                   | <u>2,265,001</u>    | <u>2,034,659</u>              | <u>-</u>                   | <u>2,034,659</u>    |
| Changes in net assets                                      | <u>832,117</u>                | <u>(7,298)</u>             | <u>824,819</u>      | <u>477,008</u>                | <u>(19,547)</u>            | <u>457,461</u>      |
| Net assets, beginning as previously reported               | <u>1,573,319</u>              | <u>63,866</u>              | <u>1,637,185</u>    | <u>1,073,657</u>              | <u>83,413</u>              | <u>1,157,070</u>    |
| Restatement of net assets                                  | <u>-</u>                      | <u>-</u>                   | <u>-</u>            | <u>22,654</u>                 | <u>-</u>                   | <u>22,654</u>       |
| Net assets, beginning as restated                          | <u>1,573,319</u>              | <u>63,866</u>              | <u>1,637,185</u>    | <u>1,096,311</u>              | <u>83,413</u>              | <u>1,179,724</u>    |
| Net assets, ending   | <u>\$ 2,405,436</u>           | <u>\$ 56,568</u>           | <u>\$ 2,462,004</u> | <u>\$ 1,573,319</u>           | <u>\$ 63,866</u>           | <u>\$ 1,637,185</u> |

**ONslow COMMUNITY OUTREACH, INC.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

|   | 2021               |                        |                  |                    | 2020               |                        |                  |                    |
|---|--------------------|------------------------|------------------|--------------------|--------------------|------------------------|------------------|--------------------|
|   | Program            | Management and General | Fundraising      | Total Expenses     | Program            | Management and General | Fundraising      | Total Expenses     |
| Expenses:                                     |                    |                        |                  |                    |                    |                        |                  |                    |
| Payroll                                       | \$ 649,673         | \$ 51,098              | \$ 29,199        | \$ 729,970         | \$ 449,265         | \$ 64,181              | \$ 21,394        | \$ 534,840         |
| Contracted services                           | 123,036            | 12,300                 | -                | 135,336            | 118,802            | 9,000                  | 8,766            | 136,568            |
| Donated medical services                      | 183,800            | -                      | -                | 183,800            | 194,880            | -                      | -                | 194,880            |
| Donated goods                                 | 541,151            | -                      | -                | 541,151            | 514,712            | -                      | -                | 514,712            |
| Pharmacy, medical & other supplies            | 45,252             | 7,426                  | -                | 52,678             | 74,864             | -                      | -                | 74,864             |
| Client assistance                             | 273,798            | -                      | -                | 273,798            | 294,410            | -                      | -                | 294,410            |
| Program operations                            | 24,831             | 4,901                  | 19,404           | 49,136             | 29,001             | 6,448                  | 23,934           | 59,383             |
| Insurance                                     | 40,458             | 12,483                 | -                | 52,941             | 38,733             | 9,992                  | -                | 48,725             |
| Occupancy & vehicles                          | 142,598            | 5,634                  | -                | 148,232            | 151,112            | -                      | -                | 151,112            |
| Interest                                      | 53,095             | -                      | -                | 53,095             | 12,152             | -                      | -                | 12,152             |
| Depreciation                                  | 44,864             | -                      | -                | 44,864             | 13,013             | -                      | -                | 13,013             |
| Total expenses per<br>Statement of Activities | <u>\$2,122,556</u> | <u>\$ 93,842</u>       | <u>\$ 48,603</u> | <u>\$2,265,001</u> | <u>\$1,890,944</u> | <u>\$ 89,621</u>       | <u>\$ 54,094</u> | <u>\$2,034,659</u> |



**ONSLOW COMMUNITY OUTREACH, INC.****Statements of Cash Flows****Years Ended December 31, 2021 and 2020**

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| Cash flows from operating activities:  |                   |                   |
| Change in net assets   | \$ 824,819        | \$ 457,461        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation   | 44,864            | 13,013            |
| Building fund contributions  | (95,018)          | (71,666)          |
| (Increase) decrease in:  |                   |                   |
| Grants receivable  | (19,421)          | (185,871)         |
| Inventory  | (758)             | (13,818)          |
| Increase (decrease) in:  |                   |                   |
| Accounts payable & accrued liabilities   | (15,640)          | 23,957            |
| Net cash provided by operating activities  | <u>738,846</u>    | <u>223,076</u>    |
| Cash flows from investing activities:  |                   |                   |
| Purchase of property and equipment and construction in progress                                | (543,984)         | (934,467)         |
| Building fund contributions  | 95,018            | 71,666            |
| Net cash used in investing activities  | <u>(448,966)</u>  | <u>(862,801)</u>  |
| Cash flows from financing activities:  |                   |                   |
| Proceeds from notes payable  | -                 | 839,475           |
| Payments on note payable   | (86,335)          | (32,515)          |
| Net cash provided by (used in) financing activities  | <u>(86,335)</u>   | <u>806,960</u>    |
| Net increase in cash and cash equivalents  | 203,545           | 167,235           |
| Cash and cash equivalents - beginning  | 376,576           | 209,341           |
| Cash and cash equivalents - ending   | <u>\$ 580,121</u> | <u>\$ 376,576</u> |
| Supplemental disclosures of cash flow information:   |                   |                   |
| Cash payments for interest   | <u>\$ 40,772</u>  | <u>\$ 12,152</u>  |
| Supplemental disclosures of noncash investing and financing<br>activities:                     |                   |                   |
| Net property and equipment reclassified to real estate held for<br>sale                        | <u>\$ 60,343</u>  | <u>\$ -</u>       |

## **ONSLOW COMMUNITY OUTREACH, INC.**

### **Notes to Financial Statements**

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#### NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Nature of Organization**

Onslow Community Outreach, Inc. ("the Organization") 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.

##### **Mission and Activities**

The Organization 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.

The Organization 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."

A summary of significant accounting policies is as follows:

##### **Financial Statement Presentation**

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America 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.

##### **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.

It is the Organization's policy to evaluate all tax positions and to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2021 and 2020.

##### **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.

## ONSLOW COMMUNITY OUTREACH, INC.

### Notes to Financial Statements

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#### NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Net Assets**

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 classified based upon the existence of restrictions on use that are placed by its donors, as follows:

- *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, 2021 and 2020, the Organization held no net assets with permanent donor restrictions.

##### **Contributions, Grants, and Contracts**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the use of the contributed assets is specifically restricted by the donor.

Contributed services are only recorded if they meet the requirements for recognition discussed in Note 9, Donated 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 soup kitchen staff logs and weighs all food received and assigns a fair value to the donation based on its weight. The donated food goods were valued at \$1.67 per pound. The Organization also receives donated medicine and medical supplies from Direct Relief that is distributed through its clinic. The clinic staff logs all medicine and supplies received and assigns a value to the donation based on the cost provided by Direct Relief. The Organization also receives donated supplies that are used in the shelter and for direct client assistance. The shelter staff logs all supplies received and assigns values based on the costs of the individual items.

## **ONSLOW COMMUNITY OUTREACH, INC.**

### **Notes to Financial Statements**

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Contributions, Grants, and Contracts (Continued)**

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.

##### **Functional Allocation of Expense**

The costs of providing program services and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Expenses that can be identified with a specific program or support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by a statistical means.

*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.

The Organization 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, the Organization follows the guidance provided by FASB ASC-958-605, Revenue Recognition. The Organization 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 Statements of Functional Expenses.

##### **Construction in Progress**

The Organization capitalizes all direct and indirect costs that are related to the acquisition and rehabilitation of its headquarters are capitalized as construction in progress. Once placed in service, the construction in progress is classified as property and equipment.

##### **Property and 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.

##### **Reclassifications**

Certain balances as previously reported have been reclassified to be consistent with those classifications used in the current year.

## ONSLOW COMMUNITY OUTREACH, INC.

### Notes to Financial Statements

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 23, 2022, which is the date the financial statements were available to be issued.

#### NOTE 2 - LIQUIDITY AND AVAILABILITY

As of December 31, 2021, The Organization has calculated that it had financial assets of \$834,829 (cash and receivables) that will become available within one year for general expenditure. For the year ended December 31, 2021, the Organization had average daily expenses of \$4,096, excluding depreciation and donated goods and services. Therefore, available financial assets of \$834,829 could theoretically fund operations for 204 days at the current 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.

#### NOTE 3 - GRANTS, CONTRIBUTIONS, AND RECEIVABLES

The Organization 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:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Onslow Memorial Hospital                              | \$ 255,000          | \$ 253,307          |
| NC SECU Foundation                                    | 15,000              | 125,011             |
| American Red Cross                                    | -                   | 65,000              |
| United Way  | 46,400              | 52,800              |
| Other Businesses, Foundations, Churches & individuals | 354,692             | 392,486             |
| Total Private Grants and Contributions                | <u>671,092</u>      | <u>888,604</u>      |
| City of Jacksonville Forgivable Loan (see Note 11)    | 56,000              | 30,000              |
| Community Development Block Grants                    | 328,907             | 62,634              |
| Emergency Solutions Grants                            | 424,334             | 233,582             |
| Coronavirus Relief Grant                              | 432,067             | 265,822             |
| Community Health Grants                               | 238,970             | 125,922             |
| Medical Assistance Program Grant                      | 12,219              | -                   |
| Emergency Food & Shelter National Board Program       | 17,994              | 52,578              |
| Onslow County   | 24,000              | -                   |
| Total Government Grants and Contacts                  | <u>1,534,491</u>    | <u>770,538</u>      |
| Donated Goods & Services (see Note 9)                 | <u>724,951</u>      | <u>709,592</u>      |
| Total Grants and Contributions                        | <u>\$ 2,930,534</u> | <u>\$ 2,368,734</u> |

## ONSLOW COMMUNITY OUTREACH, INC.

### Notes to Financial Statements

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#### NOTE 3 - GRANTS, CONTRIBUTIONS, AND RECEIVABLES (Continued)

Included in the above table is significant support from both private and public agencies specific to the coronavirus pandemic. The Organization used those funds to retain staffing and adjust operating procedures in order to safely serve its clients throughout 2021 and 2020.

At December 31, 2021 and 2020, the grants receivable balances of \$254,708 and \$235,287, respectively, consisted of reimbursable expenses that were paid in the first quarter of the new year. As such, no allowance for uncollectible amounts has been established.

#### NOTE 4 - INVENTORY

Inventory consisted of the following as of December 31, 2021 and 2020:

|  | <u>2021</u>      | <u>2020</u>      |
|--|------------------|------------------|
| Clinic's donated pharmaceutical and medical supplies | \$ 20,796        | \$ 21,041        |
| Soup kitchen's food supplies                         | 18,840           | 17,837           |
| Total inventory                                      | <u>\$ 39,636</u> | <u>\$ 38,878</u> |

The soup kitchen's food supplies are recorded at cost and the clinic's donated pharmaceutical and medical supplies are recorded at replacement cost based on wholesale prices of the donated inventory.

#### NOTE 5 - CONCENTRATION OF FUNDING AND CREDIT RISK

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. At December 31, 2021 and 2020, deposit account balances exceeded FDIC coverage by \$277,079 and \$83,906, respectively.

#### NOTE 6 - PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

In October 2015, The Organization purchased a building and land located at 1210 Hargett Street in Jacksonville, North Carolina for \$650,000. 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. The homeless shelter and housing support center opened in October, 2020, the multi-purpose space was placed in service in January 2021, and the administration area opened in September 2021. Subsequent to yearend, during March 2022 the soup kitchen opened. The balance in construction in progress, as noted below, consists of the areas of the property that were not yet opened or placed in service at year end.

**ONSLOW COMMUNITY OUTREACH, INC.****Notes to Financial Statements**

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**NOTE 6 - PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS (Continued)**

Property and equipment and construction in progress consisted of the following as of December 31, 2021 and 2020:

|                               | <u>2021</u>         | <u>2020</u>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 439,940          | \$ 454,926          |
| Building improvements         | 1,663,261           | 729,733             |
| Vehicles                      | 32,250              | 32,250              |
| Furniture and equipment       | 38,886              | 26,023              |
|                               | <u>2,174,337</u>    | <u>1,242,932</u>    |
| Less accumulated depreciation | 100,221             | 141,196             |
| Property and equipment, net   | <u>\$ 2,074,116</u> | <u>\$ 1,101,736</u> |
| Construction in progress      | <u>\$ 691,556</u>   | <u>\$ 1,225,159</u> |

Depreciation is computed using the straight-line method over the estimated useful lives of the assets (up to 40 years for building improvements, 5 - 15 years for vehicles and equipment).

**NOTE 7 - REAL ESTATE HELD FOR SALE**

On November 29, 2021, the Organization entered into an agreement to sell the property at 600 Court Street, which was the prior service center for the Organization, for \$432,000. At December 31, 2021, the net book value of the land and building totaling, \$60,343 was reclassified to real estate held for sale. Subsequent to yearend, on April 1, 2022 the property was sold.

**NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance consists of the following at December 31, 2021 and 2020:

|                              | <u>2021</u>      | <u>2020</u>      |
|------------------------------|------------------|------------------|
| Operational accounts payable | \$ 8,060         | \$ 24,956        |
| Payroll and related payables | 35,175           | 38,011           |
| Accrued interest payable     | 4,092            | -                |
|                              | <u>\$ 47,327</u> | <u>\$ 62,967</u> |

**NOTE 9 - 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.

## ONSLOW COMMUNITY OUTREACH, INC.

### Notes to Financial Statements

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#### NOTE 9 - DONATED SERVICES (Continued)

The Organization has valued and recorded the donated services of its medical and dental professionals providing specialized skills. These professionals provided approximately 2,100 hours of services. The Organization estimates that the hourly rates for paid professionals in these capacities ranged is \$100 per hour. As such, at December 31, 2021 and 2020, a calculated estimate of \$183,800 and \$194,880, respectively, 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."

#### NOTE 10 - LEASES

In March 2016, the Organization 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. Total rent expense for 2021 and 2020, of \$39,975 and \$36,900, respectively, appears within the "Occupancy" line item on the Statement of Activities. Subsequent to yearend, on March 1, 2022 the Organization signed a new lease agreement requiring monthly payments of \$3,838 with an initial term of five years and an option at the end of the lease term to extend its lease for two additional five-year terms.

Agreed-upon future annual minimum lease payments as of December 31, 2021 are scheduled as:

|      |                   |
|------|-------------------|
| 2022 | \$ 44,530         |
| 2023 | 46,056            |
| 2024 | 46,056            |
| 2025 | 46,056            |
| 2026 | 46,056            |
|      | <u>\$ 228,754</u> |

#### NOTE 11 - NOTES PAYABLE

The Organization's total long-term debt consists of a loan from Coastal Bank & Trust and a forgivable loan from the City of Jacksonville as described below:

- Coastal Bank & Trust: 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 \$878,387. The loan is secured by the property at 1210 Hargett Street in Jacksonville, North Carolina. At December 31, 2021 and 2020, the loan balance was \$967,149 and \$997,484, respectively. Interest expense for 2021 and 2020 totaled \$53,095 and \$12,152, respectively, and appears as a line item on the Statement of Functional Expenses.

Estimated future maturities of the note payable at December 31, 2021 is as follows:

|      |                   |
|------|-------------------|
| 2022 | \$ 32,081         |
| 2023 | 33,812            |
| 2024 | 901,256           |
|      | <u>\$ 967,149</u> |



**ON SLOW COMMUNITY OUTREACH, INC.**

**Notes to Financial Statements**

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NOTE 11 - NOTES PAYABLE (Continued)

- City of Jacksonville (Community Development Block Grant Funding): A combined loan balance of \$224,000 and \$280,000 at December 31, 2021 and 2020, respectively, 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 and use of the facility throughout the 10-year term for community support functions. In 2021 and 2020, the City forgave \$56,000 and \$30,000 and this amount is included in government grant revenue.
- 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 had no outstanding balance as of December 31, 2021 and 2020.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended December 31, 2021 and 2020 consist of:

|                      |                  |                  |
|----------------------|------------------|------------------|
|                      | <u>2021</u>      | <u>2020</u>      |
| Christmas Cheer fund | <u>\$ 56,568</u> | <u>\$ 63,866</u> |

Net assets that were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31, 2021 and 2020, are as follows:

|  |                     |                   |
|--|---------------------|-------------------|
|  | <u>2021</u>         | <u>2020</u>       |
| Expenses satisfying restricted purpose | <u>\$ 1,627,058</u> | <u>\$ 939,274</u> |

NOTE 13 - AGENCY TRANSACTIONS

As part of its mission, the Organization’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 the Organization’s Statement of Activities as either contributions revenue or donated pharmaceuticals expense.

NOTE 14 - ENDOWMENT FUND ANNUAL DISTRIBUTION

The Organization 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 North Carolina Community Foundation and therefore do not appear on the Statement of Financial Position of The Organization.

## ONSLOW COMMUNITY OUTREACH, INC.

### Notes to Financial Statements

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#### NOTE 15 - PAYCHECK PROTECTION LOAN FORGIVENESS

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief and Economic Security (“CARES”) Act that created up to \$349 billion in forgivable loans (“Paycheck Protection Program”) to businesses and not for profit organizations to pay employees during the COVID-19 pandemic. If the businesses and not for profit organizations used the Payroll Protection Program loan funds to cover payroll costs, mortgage interest, rent and utility costs over an 8 or 24 week period after the loan was made and maintained employee and compensation level, they can request forgiveness of the loan. In accordance with ASC 450-30, Contingencies, the proceeds from the loan would remain recorded as a liability until the forgiveness of the Paycheck Protection Program loan, at which time the earnings impact would be recognized. On April 26, 2020, the Organization obtained \$94,635 in Paycheck Protection Program loan proceeds to enable the Organization to continue to employ staff during the COVID-19 pandemic which was fully forgiven in January 2021 and was included in revenue at December 31, 2020. Additionally, on February 17, 2021, the Organization obtained an additional Paycheck Protection Program loan totaling \$105,070 which was fully forgiven in August 2021 and is included in revenue at December 31, 2021.

#### NOTE 16 - CONTINGENCIES

As of the date of this report, the COVID-19 virus continues to create worldwide disruption to economic activity. While the long-term financial or programmatic impacts of this massive public health crisis are still unknown, the Organization continued to provide health care and community services and received significant financial support to operate during the pandemic. The Organization provided hazard pay at times to its staff in response to the 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.

#### NOTE 17 - CORRECTION OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended December 31, 2021, the Organization's net assets were restated to correct the balance of property and equipment, construction in progress, and notes payable which were not recorded in accordance with accounting principles generally accepted in the United States of America in the prior period. The effect of the restatement is detailed below:

|  |              |
|--|--------------|
| Increase in net assets                                       | \$ 22,654    |
| Increase in accumulated depreciation                         | \$ 2,346     |
| Increase in property and equipment                           | \$ 365,957   |
| Decrease in construction in progress                         | \$ (365,957) |
| Decrease in loan balance payable to the City of Jacksonville | \$ (25,000)  |

The balances of net assets, property and equipment, construction in progress, and notes payable have been retrospectively adjusted for 2020.

**SUPPLEMENTARY INFORMATION**

**ONSLOW COMMUNITY OUTREACH, INC.**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended December 31, 2021**

| Federal Grantor/Program Title  | Assistance Listing | Federal Expenditures | State Expenditures |
|--|--------------------|----------------------|--------------------|
| U.S. Department of the Treasury:   |                    |                      |                    |
| Passed through the Office of State Budget and Management:                |                    |                      |                    |
| NC Pandemic Recovery Office  |                    |                      |                    |
| Passed through North Carolina Association of Free and Charitable Clinics |                    |                      |                    |
| Coronavirus Relief Fund  | 21.019             | \$ 432,067           | \$ -               |
| U.S. Department of Housing and Urban Development (HUD):                  |                    |                      |                    |
| Passed through the N.C. Department of Health and Human Services          |                    |                      |                    |
| Emergency Solutions Grant Program  | 14.231             | 90,903               | -                  |
| COVID-19 Emergency Solutions Grant Program                               | 14.231             | 333,431              | -                  |
| Passed through City of Jacksonville, North Carolina                      |                    |                      |                    |
| Community Development Block Grant  | 14.225             | 156,974              | -                  |
| COVID-19 Community Development Block Grant                               | 14.225             | 171,933              | -                  |
| U.S. Department of Homeland Security:                                    |                    |                      |                    |
| Passed through United Way of America                                     |                    |                      |                    |
| Emergency Food & Shelter National Board Program                          | 97.024             | 17,994               | -                  |
| Total expenditures of federal awards                                     |                    | 1,203,302            | -                  |
|  | State Ref.         |                      |                    |
| <u>North Carolina Grantor/Program Title</u>                              |                    |                      |                    |
| North Carolina Department of Health and Human Services                   |                    |                      |                    |
| Central Management and Support - Office of Rural Health                  |                    |                      |                    |
| Community Health Grant - Medical   |                    | -                    | 164,125            |
| Community Health Grant - Dental  |                    | -                    | 74,845             |
| Medical Assistance Program Grants  |                    | -                    | 12,219             |
| Total expenditures of state awards                                       |                    | -                    | 251,189            |
| Total expenditures of federal and state awards                           |                    | \$ 1,203,302         | \$ 251,189         |

**ONslow COMMUNITY OUTREACH, INC.**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended December 31, 2021**

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NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Onslow Community Outreach, Inc., under programs of the federal and North Carolina state governments for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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 Onslow Community Outreach, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Onslow Community Outreach, Inc.

NOTE B - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Onslow Community Outreach, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

Onslow Community Outreach, Inc. spent the federal and state funds presented in the Schedule directly and did not make awards to subrecipients.

# Bernard Robinson & Company, L.L.P.

## **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. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

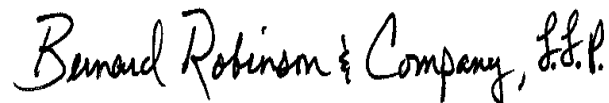
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 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.

A handwritten signature in black ink that reads "Bernard Robinson & Company, L.L.P." The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
September 23, 2022



**Independent Auditor's Report on Compliance For  
Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Onslow Community Outreach, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's major federal programs.



## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of its major federal programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

## Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
September 23, 2022

**ONSLOW COMMUNITY OUTREACH, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2021**

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Items required to be reported under 2 CFR section 200.515(d):

**Section I - Summary of Auditor's Results**

Financial Statements

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:
- (a) Material weakness(es) identified?  yes  no
- (b) Significant deficiency(ies) identified?  yes  none reported
- (iii) Noncompliance material to financial statements noted?  yes  no

Federal Awards

- (i) Internal control over major programs:
- (a) Material weakness(es) identified?  yes  no
- (b) Significant deficiency(ies) identified?  yes  none reported
- (ii) Type of auditor's report issued on compliance for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  no
- (iv) Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program</u>    |
|-----------------------|-----------------------------------|
| 21.019                | Coronavirus Relief Fund           |
| 14.231                | Emergency Solutions Grant Program |

- (v) Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
- (vi) Auditee qualified as low-risk auditee?  yes  no

**Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:**

**Deficiencies**  
 None reported

**Section III - Findings and questioned costs relating to the major programs which are required to be reported as defined by the Uniform Guidance [2 CFR 200.516(a)]:**

**Deficiencies**  
 None reported

**ONslow COMMUNITY OUTREACH, INC.**  
**Summary Schedule of Prior Year Audit Findings and Questioned Costs**  
**Year Ended December 31, 2021**

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None