



# Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc.

## Compliance Reports

Year Ended June 30, 2021



# Table of Contents

**Independent Auditors’ 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* ..... 1**

**Independent Auditors’ Report on Compliance for Each Major Federal Program on Internal Control over Compliance with OMB Uniform Guidance ..... 3**

Schedule of Findings and Questioned Costs ..... 5

**Independent Auditors’ Report on Schedule of Expenditures of Federal and State Awards Required by OMB Uniform Guidance ..... 7**

Schedule of Expenditures of Federal and State Awards ..... 9

Notes to the Schedule of Expenditures of Federal and State Awards ..... 11

DRAFT



# Independent Auditors' 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*

Boards of Directors  
Children's Home Society of North Carolina, Inc.  
and Children's Home Society Foundation, Inc.  
Greensboro, NC

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 consolidated financial statements of Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of consolidated financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements, and have issued our report thereon dated DATE.

## ***Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated 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 consolidated 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control 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 material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization’s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing on 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.

High Point, NC

**DATE**

DRAFT



# Independent Auditors' Report for Each Major Federal Program and on Internal Control over Compliance with OMB Uniform Guidance

Boards of Directors  
Children's Home Society of North Carolina, Inc.  
and Children's Home Society Foundation, Inc.  
Greensboro, NC

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

We have audited Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc. (the "Organization's") compliance with the types of compliance requirements described 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 June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on the compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.



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

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

***Report on Internal Control over Compliance***

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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.

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

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.

**High Point, NC**

**DATE**

## Schedule of Findings and Questioned Costs

### 1. Summary of Auditor's Results

#### Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

#### Federal awards

Internal control over major federal program(s):

Material weaknesses identified? \_\_\_\_\_ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.556	Promoting Safe and Stable Families
21.019	CARES Act

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as a low-risk auditee? X Yes \_\_\_\_\_ No

**2. Financial Statement Findings**

None reported.

**3. Federal Award Findings and Questioned Costs**

None reported.

**4. Summary Schedule of Prior Audit Findings**

None reported.

DRAFT



# Independent Auditors' Report on Schedule of Expenditures of Federal and State Awards Required by OMB Uniform Guidance

Boards of Directors  
Children's Home Society of North Carolina, Inc.  
and Children's Home Society Foundation, Inc.  
Greensboro, NC

## ***Report on the Schedule of Expenditures of Federal and State Awards***

We have audited the accompanying schedule of expenditures of federal and state awards of Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc. (the "Organization") for the year ended June 30, 2021, and the related notes (the "financial statement").

## ***Management's Responsibility***

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.



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 statement referred to above presents fairly, in all material respects, the expenditures of federal and state awards of the Organization for the year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States.

High Point, NC

**DATE**

DRAFT

Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc.  
 Schedule of Expenditures of Federal and State Awards  
 Year Ended June 30, 2021

Agency	Office	Program Title	CHS Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures
<b>U.S. Department of Health and Human Services</b>						
	Office of the Secretary	Rigorous Evaluation of New or Innovative Approaches to Prevent Teen Pregnancy	OAH - Wise Guys Iredell-Statesville	93.297	\$ 36,909	\$ -
	Passed through the N.C. Department of Health and Human Services	Teenage Pregnancy Prevention Program	Shift N.C. Alamance	93.297	5,064	-
		Total Teenage Pregnancy Prevention Program			41,973	-
	Promoting Safe and Stable Families		Post Adoption Support Services	93.556	764,947	-
			Circle of Parents - Randolph County	93.556	68,454	-
			Caring For Our Own	93.556	98,058	-
			IFPS	93.556	611,823	2,082,671
		Total Promoting Safe and Stable Families			1,543,282	2,082,671
	Adoption and Legal Guardianship Incentive Payments		Adoption Promotion Fund	93.603	-	345,017
	Temporary Assistance for Needy Families		Adoption Promotion Fund	93.558	67,849	-
			Wise Guys-APPP Next Level Guilford Co	93.558	69,639	-
			Wise Guys APPP Eastern	93.558	61,247	-
			Wise Guys APPP Alamance	93.558	71,365	-
		Total Temporary Assistance for Needy Families			270,100	-
	Injury Prevention and Control Research and State and Community Based Programs		Rape Prevention Ed	93.136	58,340	-
	Affordable Care Act Personal Responsibility Education Program		Wise Guys Duplin	93.092	20,883	-
	Foster Care Title IV-E		Permanency Innovation Initiative	93.658	597,300	2,060,748
			Family Finding - Mecklenburg County	93.658	46,200	-
			Intensive Family Preservation Services - Mecklenburg County	93.658	96,000	-
		Total Foster Care Title IV-E			739,500	2,060,748

Children's Home Society of North Carolina, Inc. and Children's Home Society Foundation, Inc.  
 Schedule of Expenditures of Federal and State Awards  
 Year Ended June 30, 2021

(Continued)

Agency	Office	Program Title	CHS Program Title	Federal CFDA Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures
		Stephanie Tubbs Jones Child Welfare Services Program	Permanency Innovation Initiative	93.645	\$ 582,983	\$ -
		Foster Care Title IV-E	Permanency Innovation Initiative	93.645	15,174	-
		Chafee Foster Care Independence Program	The Strong and Able Youth Speaking Out	93.645	<u>48,393</u>	<u>60,491</u>
		Total Stephanie Tubbs Jones Child Welfare Services Program			<u>646,550</u>	<u>60,491</u>
		John H. Chafee Foster Care Program for Successful Transition to Adulthood	The Strong and Able Youth Speaking out	93.674	<u>193,572</u>	<u>-</u>
		The Corona Virus Aid, Relief and Economic Security Act	CARES Act	21.019	<u>300,000</u>	<u>-</u>
	Substance Abuse and Mental Health Services Administration	Block Grants for Prevention and Treatment of Substance Abuse	Substance Abuse Prevention - Sandhills	93.959	<u>118,946</u>	<u>-</u>
<b>Total Department of Health and Human Services</b>					<u>3,933,146</u>	<u>4,548,927</u>
<b>Total Awards</b>					<u>\$ 3,933,146</u>	<u>\$ 4,548,927</u>

## Notes to the Schedule of Expenditures of Federal and State Awards

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Organization under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

### 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.