

STAR-C CORPORATION
(a nonprofit organization)

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Star-C Corporation
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Star-C Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Star-C Corporation as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Star-C Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Star-C Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Star-C Corporation'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 Star-C Corporation'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.

Report on Summarized Comparative Information

We have previously audited Star-C Corporation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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 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 November 7, 2022 on our consideration of the Star-C Corporation'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 Star-C Corporation'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 Star-C Corporation's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2022
Duluth, Georgia

STAR-C CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 529,607	\$ 748,608
Accounts receivable, net of allowance for doubtful accounts of \$0 at June 30, 2022 and 2021	4,517	2,917
Prepaid expenses	-	14,000
TOTAL ASSETS	\$ 534,124	\$ 765,525

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 27,399	\$ 8,693
Deferred revenue	2,112	223,503
Total Liabilities	29,511	232,196
NET ASSETS:		
Without donor restrictions	504,613	533,729
With donor restrictions	-	-
	504,613	533,729
TOTAL LIABILITIES AND NET ASSETS	\$ 534,124	\$ 765,925

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

STAR-C CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
<u>SUPPORT AND REVENUE</u>				
Support:				
Contributions	\$ 180,015	\$ -	\$ 180,015	\$ 82,010
Grants	10,000	5,245,112	5,255,112	6,553,847
Donated services	5,361	-	5,361	5,845
	<u>195,376</u>	<u>5,245,112</u>	<u>5,440,488</u>	<u>6,641,702</u>
Total support				
Revenue:				
Program services	119,000	-	119,000	133,917
	<u>119,000</u>	<u>-</u>	<u>119,000</u>	<u>133,917</u>
Total revenue				
Net assets released from restrictions	5,245,112	(5,245,112)	-	-
Total support and revenue	<u>5,559,488</u>	<u>-</u>	<u>5,559,488</u>	<u>6,775,619</u>
<u>EXPENSES</u>				
Program services	5,418,346	-	5,418,346	6,555,903
Management and general	170,258	-	170,258	145,978
Fundraising	-	-	-	31,458
	<u>5,588,604</u>	<u>-</u>	<u>5,588,604</u>	<u>6,733,339</u>
Total expenses				
Change in net assets	(29,116)	-	(29,116)	42,280
Net assets, beginning of year	533,729	-	533,729	491,449
Net assets, end of year	<u>\$ 504,613</u>	<u>\$ -</u>	<u>\$ 504,613</u>	<u>\$ 533,729</u>

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

STAR-C CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (29,116)	\$ 42,280
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of paycheck protection loan	-	(26,867)
(Increase) decrease in accounts receivable	(1,600)	2,916
Decrease (increase) in prepaid expenses	14,400	(14,400)
Decrease in grant receivable	-	10,000
Increase in accounts payable	18,706	4,541
(Decrease) increase in deferred revenue	<u>(221,391)</u>	<u>223,503</u>
Net cash (used by) provided by operating activities	<u>(219,001)</u>	<u>241,973</u>
Net change in cash	(219,001)	241,973
Cash, beginning of period	<u>748,608</u>	<u>506,635</u>
Cash, end of period	<u>\$ 529,607</u>	<u>\$ 748,608</u>

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

STAR-C CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2022</u>	<u>2021</u>
Salaries & benefits:					
Salaries	\$ 244,272	\$ 71,504	\$ -	\$ 315,776	\$ 259,072
Payroll taxes	10,095	2,942	-	13,037	21,536
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and benefits	254,367	74,446	-	328,813	280,608
Other expenses:					
Contract labor	285,822	41,070	-	326,892	307,771
Eviction relief	4,789,625	1,348	-	4,790,973	6,077,870
Professional fees	-	18,000	-	18,000	6,100
Rent	-	22,820	-	22,820	7,800
Computer supplies	21,740	-	-	21,740	20,337
Website fees	-	-	-	-	3,150
Insurance	29,126	3,237	-	32,363	18,526
Supplies	16,603	3,244	-	19,847	7,263
After-school programs	554	-	-	554	-
Meetings	5,138	5,741	-	10,879	253
Miscellaneous	15,371	352	-	15,723	3,661
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other expenses	5,163,979	95,812	-	5,259,791	6,452,731
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 5,418,346	\$ 170,258	\$ -	\$ 5,588,604	\$ 6,733,339

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

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Star-C Corporation (the Organization) was formed in June 2014 to provide educational and wellness programs to residents of low-income and blighted housing projects.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Support and Revenue

The Organization's primary sources of funding are contributions from private parties and businesses, service fees received from participating apartment communities, and grants from foundations and other sources. For the years ended June 30, 2022 and 2021, the apartment communities contributed approximately 30% and 32% of the costs of the program, respectively.

Contributions

All contributions are recorded as net assets without donor restrictions, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

-CONTINUED-

STAR- C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Trade Accounts Receivable

Trade accounts receivable is recorded net of the allowance for doubtful accounts. The allowance is estimated from historical performance, projections of trends and analysis of specific troubled accounts.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the fiscal years ended June 30, 2022 and 2021.

The Organization's Returns of Organizations Exempt from Income Tax (Form 990) for the years ended June 30, 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they are filed.

Cash Flows

For the purposes of the statement of cash flows, cash is defined as cash in banks and investments with an original maturity of three months or less when purchased.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization plans to maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The Organization's liquid assets consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$529,607	\$748,608
Accounts receivable due within one year	4,517	2,917
Less accounts payable due within one year	(27,399)	(8,693)
	<u>\$506,725</u>	<u>\$742,832</u>

The Organization manages its liquidity by analyzing cash needs for general expenditures within one year and determining necessary steps to maintain its liquidity position.

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 – GRANTS

The Organization received funding from the Emergency Rental Assistance Program from Cobb County as provided by the U.S. Treasury. The funds are to be used for rental payments, as well as utilities and other household expenses, by those affected by the COVID-19 pandemic. The amount awarded totaled \$5,245,112. As of June 30, 2022, all of the funds had been expended.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

There are no assets with donor restrictions as of June 30, 2022 and 2021.

NOTE 5 – RELEASE OF ASSET RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	<u>2022</u>	<u>2021</u>
Eviction relief	\$5,245,112	\$6,812,473
Passage of time	-	10,000
Release of funds by donor	-	18,471
	<u>\$5,245,112</u>	<u>\$6,840,944</u>

NOTE 6 – CONTRACT LABOR

Contract labor for 2022 and 2021 includes \$5,361 and \$5,845, respectively, of services donated by various professionals. These services are recorded at their fair market value for the level of service provided.

NOTE 7 – FUNCTIONAL EXPENSE ALLOCATION

Most expenses are directly allocated to the three functions, Program Services, Management and General and Fundraising depending on the purpose of the expense. Salaries and payroll taxes are allocated based on the time spent on each function by personnel. Expenses such as utilities and insurance are allocated to each function based on the amount of space used for each function.

STAR-C CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 – RELATED PARTY TRANSACTIONS

Three of the Organization’s board members are partners in the ownership of three apartment complexes to which the Organization provides services. During the years ended June 30, 2022 and 2021, the apartment complexes paid the Organization \$48,000 and \$96,000, respectively.

In 2021, the Organization began renting office space from a company owned by three of its board members. Total rent paid during the year ended June 30, 2022 was \$22,800.

The Organization pays management fees to a company owned by one of its board members. For the years ended June 30, 2022 and 2021, total fees paid were \$65,538 and \$35,772, respectively. As of June 30, 2022 and 2021, amounts owed to the related party were \$4,419 and \$0, respectively.

NOTE 9 – PRIOR YEAR INFORMATION

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by asset/program. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2021, from which the information was derived.

NOTE 10 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic. The Organization relies on financial gifts for funding a portion of its operations. Due to the economic impact of the situation, individuals facing job loss or a decrease in the value of their investments could reduce contributions, and corporate and foundation giving could be impacted as fewer grants are offered. Management is monitoring the situation as it evolves. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STAR-C CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of the Treasury				
COVID-19: Emergency Rental Assistance Program	21.023	Cobb County GA 19640	\$ 3,972,491	-
COVID-19: Emergency Rental Assistance Program	21.023	Cobb County GA 20053	<u>\$ 1,272,621</u>	-
			<u>\$ 5,245,112</u>	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Star-C Corporation under programs of the federal government for the year ended June 30, 2022. 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 Star-C Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Star-C Corporation.

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

NOTE 3 - INDIRECT COST RATE

Star-C Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

STAR-C CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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

Auditee qualified as low-risk auditee? yes Xno

Section II. Financial Statement Findings

None reported.

Section III. Federal Awards Findings and Questioned Costs

None reported.

Section IV. Follow up on the Status of Prior Year Findings and Questioned Costs

Not applicable. There were no prior year findings or questioned costs.

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
Star-C Corporation
Atlanta, Georgia

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 Star-C Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Star-C Corporation'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 Star-C Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Star-C Corporation'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 to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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, appearing to read "Matthew J. Conway". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2022
Duluth, Georgia

**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
Star-C Corporation
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Star-C Corporation's 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 Star-C Corporation's major federal programs for the year ended June 30, 2022. Star-C Corporation'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, Star-C Corporation complied, in all material respects, with the types of 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, 2022.

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 Star-C Corporation 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 Star-C Corporation'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 Star-C Corporation's 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 Star-C Corporation'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 Star-C Corporation's compliance with the requirements of each major federal program 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 Star-C Corporation'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 Star-C Corporation'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 Star-C Corporation'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 a 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.

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.



CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2022
Duluth, Georgia