

EASTERN CAROLINA HOUSING ORGANIZATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021

Eastern Carolina Housing Organization

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Eastern Carolina Housing Organization

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eastern Carolina Housing Organization (a nonprofit 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Carolina Housing Organization as of December 31, 2021, 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 Eastern Carolina Housing Organization 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 Eastern Carolina Housing Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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.

JONES, POUNDER & ASSOCIATES, P.C.

- 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 Eastern Carolina Housing 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 Eastern Carolina Housing 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.

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 December 31, 2021, on our consideration of Eastern Carolina Housing 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 Eastern Carolina Housing 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 Eastern Carolina Housing Organization's internal control over financial reporting and compliance.

Jones, Ponder & Associates, P.C.

Charleston, South Carolina
October 31, 2022

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 214,898
Investments	91,318
Accounts receivable, net	<u>324,626</u>

Total current assets	<u>630,842</u>
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Restricted cash	419,583
Property and equipment, net	<u>2,872,507</u>

Total assets	<u>\$ 3,922,932</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 50,029
Payroll taxes withheld and accrued	54,506
Current portion of capital lease liability	9,611
Current portion of notes payable	116,278
Lines of credit	<u>87,094</u>

Total current liabilities	<u>317,518</u>
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Long Term Liabilities

Capital lease liability, net of current portion	8,327
Notes payable, net of current portion	<u>2,198,715</u>

Total long term liabilities	<u>2,207,042</u>
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NET ASSETS

Net assets without donor restrictions	1,464,591
Net assets with donor restrictions	<u>58,097</u>

Total net assets	<u>1,522,688</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,047,248</u>
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See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 69,826	\$ 58,097	\$ 127,923
Grant income	12,081,584	-	12,081,584
Program service revenue	1,007,940	-	1,007,940
Contract revenue	123,050	-	123,050
Investment income	17,496	-	17,496
Other loss	(2,055)	-	(2,055)
	<u>13,297,841</u>	<u>58,097</u>	<u>13,355,938</u>
Total revenue and support			
EXPENSES			
Program services			
Homeless assistance	12,764,253	-	12,764,253
Total program services	<u>12,764,253</u>	<u>-</u>	<u>12,764,253</u>
Supporting services			
Management and general	68,592	-	68,592
	<u>68,592</u>	<u>-</u>	<u>68,592</u>
Total expenses	<u>12,832,845</u>	<u>-</u>	<u>12,832,845</u>
CHANGES IN NET ASSETS	464,996	58,097	523,093
NET ASSETS AT BEGINNING OF YEAR	<u>999,595</u>	<u>-</u>	<u>999,595</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,464,591</u>	<u>\$ 58,097</u>	<u>\$ 1,522,688</u>

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services	Total Year Ended December 31, 2021
	Continuum of Care	Homeless Assistance	Total	Management and General	
Compensation & related expense	\$ 91,864	\$ 2,684,333	\$ 2,776,197	\$ 8,749	\$ 2,784,946
Insurance	-	66,491	\$ 66,491	7,777	74,268
Interest	-	81,165	\$ 81,165	8,024	89,189
Rent and occupancy	4,050	8,783,383	\$ 8,787,433	120	8,787,553
Repairs and maintenance	-	132,442	\$ 132,442	10,191	142,633
Supplies and furniture	-	342,235	\$ 342,235	13,290	355,525
Other	28,402	674,204	702,606	20,441	723,047
Total expenses	\$ 124,316	\$ 12,764,253	\$ 12,888,569	\$ 68,592	\$ 12,957,161

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH FLOW FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 398,777
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	113,805
(Gain) Loss on disposition of equipment	2,355
Unrealized gain on investments	(17,814)
(Increase) decrease in current assets	
Accounts receivable	1,220
Increase (decrease) in current liabilities	
Accounts payable and accrued expense	<u>(431,418)</u>
Net Cash Provided By Operating Activities	<u>66,925</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Investments	(25,662)
Purchase of property and equipment	<u>(26,541)</u>
Net Cash Used By Investing Activities	<u>(52,203)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Borrowings on notes payable	175,000
Repayments on notes payable	(102,885)
Payments on capitalized lease	(10,277)
Borrowings/Repayments on lines of credit	<u>(145,564)</u>
Net Cash Used By Financing Activities	<u>(83,726)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(69,004)
CASH, CASH EQUIVALENTS, RESTRICTED CASH AT BEGINNING OF YEAR	<u>703,485</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 634,481</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	<u><u>\$ 89,189</u></u>

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Eastern Carolina Homelessness Organization, Inc. doing business as Eastern Carolina Housing Organization (ECHO) (the "Organization"), is a not for profit organization serving a twelve-county area including the Pee Dee and Grand Strand region of South Carolina. The Organization's vision is that every individual and family who is homeless or at risk of becoming homeless is rapidly re-housed or sustained in current housing.

The goals of Eastern Carolina Homelessness Organization, Inc are accomplished by 1) partnering with member organizations; 2) supporting and maintaining membership in the community's Continuum of Care; and 3) providing housing and supportive services to assist people experiencing homelessness. Programs include:

Continuum of Care

Eastern Carolina Homelessness Organization, Inc. provides support and maintains membership for the information system used to collect client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness in accordance with the Housing and Urban Development (HUD)'s regulations and guidelines.

Homelessness Assistance

Eastern Carolina Homelessness Organization, Inc. provides transitional, short-term, long-term, and emergency rental assistance to assist people with obtaining and maintaining stable housing.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions 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-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Revenue Recognition

Grant income and other contributions

Grant income and other contributions are reported as unrestricted support if the restrictions are satisfied in the current fiscal year. Should a time or purpose restriction not be satisfied in the current fiscal year these amounts are reported as restricted contributions. Subsequently, when a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contract revenue

The Organization's contract revenue is from a state funded contract to provide short-term rent and mortgage assistance. The Organization, as a processing agency for the program, receives processing fees for applications with one performance obligation, satisfied at a point in time. Revenue is recognized based upon an output method as applications are completed.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are deemed to be cash equivalents.

Accounts Receivable

Accounts receivable, net primarily consists of receivables for unpaid amounts from members for program services and pending grant reimbursements less an allowance for doubtful accounts. The allowance for doubtful accounts is based upon a periodic management review of the accounts. At December 31, 2021 management determined that the allowance for doubtful accounts was approximately, \$70,600.

Property and Equipment

Purchases deemed to have a useful life of greater than one year and exceed five thousand dollars (\$5,000) are recorded at cost and depreciated using the straight-line method over estimated useful lives.

Advertising

Advertising costs, which are principally included in operating expenses, are expensed as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

ECHO has obtained exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Investments

The Organization invests in equity securities with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions if the restrictions are met.

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Fair Value Hierarchy

Accounting principles generally accepted in the United States of America ("GAAP") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The assets requiring fair value disclosure are limited to assets included in the note, "Investments". These assets are stated at fair value using Level 1 inputs. There are no other assets or liabilities utilizing the fair value options under GAAP and, accordingly, there are no assets that are valued using Level 2 and Level 3 inputs.

Managements' Review of Subsequent Events

Subsequent events were evaluated through October 31, 2022 which is the date the financial statements were available to be issued.

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

LIQUIDITY

The Organization has \$907,218 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$214,898, investments of \$367,694, and accounts receivable, net \$324,626. In addition to those resources, the Organization has ongoing grant revenue on a cost reimbursement basis from the U.S. Department of Housing and Urban Development (“HUD”), the Department of Veterans Administration (the “VA”), and from the Department of Treasury, as a subrecipient.

RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the amounts shown in the statement of cash flows:

Cash and Cash Equivalents		\$ 214,898
Restricted Cash - Security deposits	5,523	
Restricted Cash - Certificates of deposit	<u>414,060</u>	<u>419,583</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows		<u>\$ 634,481</u>

CERTIFICATES OF DEPOSIT

Certificates of deposit (CDs) totaling \$414,000 (\$414,060 at December 31, 2021) are included in restricted cash in the accompanying financial statements. The CDs were purchased in accordance with the promissory note dated October 5, 2020 included in the note, “Notes payable”. The certificates bear interest ranging from 0.15% to 0.30% and have maturities ranging from nine months to thirty-four months.

CONCENTRATION OF CREDIT RISK

Periodically, cash balances in banks may exceed the federally insured amount of \$250,000. At December 31, 2021, the Organization had cash at one bank which exceeded the FDIC insurance limit of \$250,000 by approximately \$390,000. Management believes such risk is managed by maintaining its deposits in a high-quality financial institution.

The Organization receives substantially all of its revenue from federal and state grants from the Department of Veterans Affairs (the “VA”), the Department of Housing and Urban Development (“HUD”), and from the Department of Treasury, as a subrecipient. Accordingly, ECHO is dependent upon the continued renewal of this funding, which is subject to the budget process at the federal and state level.

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

PROPERTY AND EQUIPMENT

	<u>Useful Life</u>	
	3 Yrs.	\$ 18,170
	5 Yrs.	271,023
	15 Yrs.	64,598
	40 Yrs.	2,753,340
Less accumulated depreciation		<u>(234,624)</u>
Property and equipment, net		<u><u>\$ 2,872,507</u></u>

LINE OF CREDIT

The Organization has a discretionary unsecured line of credit totaling \$250,000. The line of credit is scheduled to mature on February 20, 2022 and bears interest equal to the lender's Index rate plus 1%. Each draw on the line of credit requires approval by the lender. The outstanding balance at December 31, 2021 is \$87,094.

CAPITAL LEASE LIABILITY

The Organization leases copier and server equipment for terms of 36 months. The server lease agreement includes an option to purchase the server equipment for \$1 at the conclusion of the lease. The outstanding capital lease liability at December 31, 2021 is \$17,938. The approximate minimum future lease commitments under capital leases as of December 31, 2021 are as follows: 2022 - \$9,611; 2023 - \$8,327; thereafter - \$0-.

The following is a summary of the capital lease liability as of December 31, 2021:

Lease agreement in November 2020 for copier equipment for a term of 36 months.	\$ 17,938
Current portion of capital lease liability	<u>(9,611)</u>
	<u><u>\$ 8,327</u></u>
2022	\$ 9,611
2023	8,327
Thereafter	<u>-</u>
	<u><u>\$ 17,938</u></u>

COMMITMENTS

The Organization leases certain real property used in its program and support activities. Rental expense for these properties was approximately \$745,000 in 2021. The terms of the leases range from twelve months to three years with payments ranging from approximately \$95 to \$5,125 per month. The Organization also leases copiers and the lease term expires in October 2023. Rental expense for the copiers was approximately \$10,000 in 2021. The approximate minimum future lease commitments as of December 31, 2021 are as follows: 2022 - \$296,000; 2023 - \$98,000; 2024 - \$81,000; 2025 - \$60,000; thereafter - \$5,000.

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

INVESTMENTS

Investments at December 31, 2021, were comprised of the following:

Equity securities	<u>\$ 91,318</u>
Total investments	<u><u>\$ 91,318</u></u>

See "Certificates of Deposit" and "Gifts In-Kind" notes for additional details regarding the investments.

Unrealized gains and losses on equity securities recognized in investment income for the year ended December 31, 2021 are summarized below:

Net unrealized gain recognized on equity securities held	\$ 16,124
Dividend income	378
Interest income	<u>994</u>
Total investment income	<u><u>17,496</u></u>

NOTE PAYABLE

The following is a summary of notes payable as of December 31, 2021:

Note payable dated January 16, 2019, due in monthly installments of \$644, 5.25% interest, through January 16, 2024, secured by a Deed of Trust on the land & building located at 603 12th Ave N.	\$ 86,579
Note payable dated July 9, 2020, due in monthly installments of \$1,019, 3.875% interest, through July 9, 2025, secured by a Deed of Trust on the land & building located at 1105 Legion Street.	161,714
Note payable dated October 5, 2020, due in monthly installments of \$11,533, 3.4% interest, through October 5, 2024, secured by a Deed of Trust on the land & building located at 6309 Hawthorne L. See notes "Restricted Cash" and "Certificates of Deposit" (CDs) for details about CDs purchased in accordance with the agreement.	1,914,681
Unsecured note payable dated March 10, 2021, due in monthly installments of \$3,391, 6.00% interest, through March 10, 2026.	<u>152,019</u>
Current portion of notes payable	<u>2,314,993</u> <u>(116,278)</u>
	<u><u>\$ 2,198,715</u></u>

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE PAYABLE - Continued

Principal payments on notes payable are due as follows:

2022	\$ 116,278
2023	121,267
2024	1,885,148
2025	182,749
Thereafter	<u>9,551</u>
	<u><u>\$ 2,314,993</u></u>

RESTRICTIONS ON NET ASSETS

The Organization solicited contributions for various restricted funds in 2021. Cash raised of approximately \$58,000 is restricted to the cost of \$35,000 for emergency hotel and food, \$12,000 for the wellness center, \$7,000 for donation center, and \$4,000 for substance recovery. The restrictions are considered to expire when payments are made.

GIFTS-IN-KIND

The Organization received gifts-in-kind for the year ended December 31, 2021:

Equity securities	<u>\$ 25,211</u>
Total gifts-in-kind	<u><u>\$ 25,211</u></u>

On September 10, 2021, the Organization received a donation of common stock with a fair market value of \$25,211. The fair market value for the year ended December 31, 2021 was \$26,942. The unrealized gain of \$1,731 was included in investment income.

RELATED PARTY

During 2021, the Organization received approximately \$10,000 from the Donor Advised Fund restricted for substance recovery. A board member directs a portion of the disbursements from this fund.

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Veterans Affairs direct program:				
Supportive Service to Veterans Families	64.033	20-SC-402-C2		\$ 872,313
Supportive Service to Veterans Families	64.033	20-SC-402-20		1,055,231
Supportive Service to Veterans Families	64.033	20-SC-402-SS		2,275
Total for Program				1,929,819
U.S. Department of Veterans Affairs direct program:				
Homeless Providers Grant & Per Diem	64.024	ECH712-1048-534-CM-20		57,168
Homeless Providers Grant & Per Diem	64.024	ECH712-2248-534-CM-22		18,884
Total for Program				76,052
Total U.S. Department of Veterans Affairs				2,005,871
U.S. Department of Housing and Urban Development direct program:				
Continuum of Care	14.267	SC0076L4E031909		48,859
	14.267	SC0076L4E032010		92,869
	14.267	SC0136L4E031903		365,452
	14.267	SC0136L4E032004		378,533
	14.267	SC0034L4E031912		158,905
	14.267	SC0034L4E032013		84,457
	14.267	SC0123L4E031904		4,001
	14.267	SC0123L4E032005		10,822
	14.267	SC0166L4E031900		70,237
	14.267	SC0166L4E032001		13,217
	14.267	SC0148L4E031902		24,961
	14.267	SC0148L4E032003		95,050
	14.267	SC0147L4E031902		84,499
	14.267	SC0147L4E032003		50,253
	14.267	SC0160D4E031902		121,539
	14.267	SC0160D4E032002		37,017
	14.267	SC0165L4E031900		65,170
	14.267	SC0171L4E032000		81,227
	14.267	SC0145L4E031902		47,867
	14.267	SC0145L4E032003		33,847
Total U.S. Department of Housing and Urban Development direct programs				1,868,782
				(Continued)

See notes to schedule of expenditures of federal awards

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Pass-through programs from South Carolina Office of Economic Opportunity				
Emergency Solutions Grant	14.231		E-20-DC-45-0001	35,364
Emergency Solutions Grant	14.231		E-21-DC-45-0001	34,124
COVID-19 - Emergency Solutions Grant	14.231		E-20-DW-45-0001	<u>756,936</u>
Total Pass-through South Carolina Office of Economic Opportunity				826,424
Pass-through programs from Horry County				
Emergency Solutions Grant	14.231		E-20-UC-45-0006	41,074
Emergency Solutions Grant	14.231		E-21-UC-45-0006	28,460
COVID-19 - Emergency Solutions Grant	14.231		E-20-UW-45-0006	<u>1,059,607</u>
Total Program				1,129,141
Community Development Block Grant	14.218		B-20-UC-45-0006	8,928
Community Development Block Grant	14.218		B-20-UC-45-0006	20,000
CDBG - Public Service Grant	14.218		B-20-UW-45-0006	<u>33,177</u>
Total Program				62,105
Total U.S. Department of Housing and Urban Development				3,886,452
Pass-through programs from Horry County				
Treasury - Emergency Rental Assistance	21.023		ERA-2101111823	<u>6,149,691</u>
Total U.S. Department of the Treasury				6,149,691
Total payments to subrecipient organizations				<u>-0-</u>
Total Expenditures of Federal Awards				<u><u>\$ 12,042,014</u></u>

See notes to schedule of expenditures of federal awards

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Eastern Carolina Housing Organization under programs of the federal government 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 Eastern Carolina Housing Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Eastern Carolina Housing Organization

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures – 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. However, certain costs that are capitalized in the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America, are treated as expenditures in the Schedule of Expenditures of Federal Awards.

Indirect Costs – Eastern Carolina Housing Organization has elected to use actual cost up to the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance, except for one program with an indirect rate below 10 percent.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 31, 2022, the date the financial statements were available to be issued.



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

To the Board of Directors of
Eastern Carolina Housing Organization

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 Eastern Carolina Housing Organization (a nonprofit 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 October 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Carolina Housing 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 Eastern Carolina Housing Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Carolina Housing 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Eastern Carolina Housing 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 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*.

JONES, POUNDER & ASSOCIATES, P.C.

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.

Jones, Ponder & Associates, P.C.

Charleston, South Carolina
October 31, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Eastern Carolina Housing Organization

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eastern Carolina Housing 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 Eastern Carolina Housing Organization's major federal programs for the year ended December 31, 2021. Eastern Carolina Housing Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Eastern Carolina Housing Organization 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 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Eastern Carolina Housing 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 Eastern Carolina Housing 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 Eastern Carolina Housing Organization's federal programs.

Auditors' 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 Eastern Carolina Housing 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 Eastern Carolina Housing Organization's compliance with the requirements of each major federal program as a whole.

JONES, POUNDER & ASSOCIATES, P.C.

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 Eastern Carolina Housing 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 Eastern Carolina Housing 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 Eastern Carolina Housing 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 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 Auditors' 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.

Jones, Ponder & Associates, P.C.

Charleston, South Carolina
October 31, 2022

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness (es) identified? No

Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

CFDA 21.023

U.S. Department of the Treasury – Emergency Rental Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

CORRECTIVE ACTION NOT STARTED OR IN PROCESS

There were no findings in the current year whereby a corrective action was necessary.

CORRECTIVE ACTION COMPLETED

There were no findings in the current year whereby a corrective action was necessary.



Chesterfield • Clarendon • Darlington • Dillon • Florence • Georgetown • Horry • Kershaw • Lee • Marlboro • Marion • Sumter • Williamsburg

SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND
RECOMMENDATIONS
EASTERN CAROLINA HOUSING ORGANIZATION
DECEMBER 31, 2021

Audit report, dated March 24, 2022 for the year ended December 31, 2020, issued by Jones, Pounder, & Associates, P.C.

Finding 2020-01: Misclassification of payroll tax payments, causing an understatement of net income of approximately \$137,000.

Status: The organization reconciles each payroll tax payment to the quarterly reports and further reconciles to the trial balance at the end of each calendar quarter and year.

Finding 2020-02: Unrecorded in-kind match contributions, causing an understatement of revenue and expense, with a net income effect of \$-0-.

Status: The organization reconciles the match matrix to match contributions recorded in the general ledger.