

EASTERN CAROLINA HOUSING ORGANIZATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022, and the related statements of activities and changes in net assets, 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, 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 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 September 30, 2023, 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  
September 30, 2023

EASTERN CAROLINA HOUSING ORGANIZATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,709,487
Investments	66,560
Accounts receivable, net	<u>462,659</u>

Total current assets	<u>2,238,706</u>
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Restricted cash	6,983
Operating lease right-of-use asset	219,154
Property and equipment, net	<u>3,922,866</u>

Total assets	<u><u>\$ 6,387,709</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 205,796
Payroll taxes withheld and accrued	65,002
Capital lease liability	8,327
Current portion of operating lease liability	75,364
Current portion of notes payable	231,385
Lines of credit	<u>255,426</u>

Total current liabilities	<u>841,300</u>
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Long Term Liabilities

Operating lease liability, net of current portion	145,917
Notes payable, net of current portion	<u>2,685,611</u>

Total long term liabilities	<u>2,831,528</u>
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NET ASSETS

Net assets without donor restrictions	2,624,796
Net assets with donor restrictions	<u>90,085</u>

Total net assets	<u>2,714,881</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,387,709</u></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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 59,123	\$ 90,085	\$ 149,208
Grant income	28,166,229	-	28,166,229
Program service revenue	1,174,377	-	1,174,377
Contract revenue	449	-	449
Investment loss	(26,316)	-	(26,316)
Other loss	414,903	-	414,903
	<u>29,788,765</u>	<u>90,085</u>	<u>29,878,850</u>
<b>EXPENSES</b>			
Program services			
Continuum of Care	113,914	-	113,914
Homeless assistance	28,112,744	-	28,112,744
Total program services	<u>28,226,658</u>	<u>-</u>	<u>28,226,658</u>
Supporting services			
Management and general	<u>335,683</u>	<u>-</u>	<u>335,683</u>
	<u>28,562,341</u>	<u>-</u>	<u>28,562,341</u>
CHANGES IN NET ASSETS	1,226,424	90,085	1,316,509
NET ASSETS AT BEGINNING OF YEAR	<u>1,398,372</u>	<u>-</u>	<u>1,398,372</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,624,796</u>	<u>\$ 90,085</u>	<u>\$ 2,714,881</u>

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services	Total
	Continuum of Care	Homeless Assistance	Total	Management and General	Year Ended December 31, 2022
Wages and compensation	\$ 80,901	\$ 3,073,423	\$ 3,154,324	\$ 168,684	\$ 3,323,008
Insurance	454	91,182	91,636	17,148	108,784
Interest	3,737	81,964	85,701	11,303	97,004
Rent and occupancy	-	23,214,328	23,214,328	10,291	23,224,619
Repairs and maintenance	24,515	103,818	128,333	5,665	133,998
Supplies and furniture	4,307	501,332	505,639	2,317	507,956
Other	-	1,046,697	1,046,697	120,275	1,166,972
Total expenses	\$ 113,914	\$ 28,112,744	\$ 28,226,658	\$ 335,683	\$ 28,562,341

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022

CASH FLOW FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,316,509
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	149,616
(Gain) Loss on disposition of equipment	5,515
Unrealized loss on investments	24,758
(Increase) decrease in current assets	
Accounts receivable	(138,033)
Operating lease right-of-use asset	75,737
Increase (decrease) in current liabilities	
Accounts payable and accrued expense	166,263
Operating lease liability	<u>(73,610)</u>
Net Cash Provided By Operating Activities	<u>1,526,755</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(1,216,000)</u>
Net Cash Used By Investing Activities	<u>(1,216,000)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from notes payable	2,705,000
Repayments on notes payable	(2,092,487)
Payments on capitalized lease	(9,611)
Proceeds from line of credit, net	<u>168,332</u>
Net Cash Provided By Financing Activities	<u>771,234</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,081,989
CASH, CASH EQUIVALENTS, RESTRICTED CASH AT BEGINNING OF YEAR	<u>634,481</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 1,716,470</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	<u><u>\$ 93,268</u></u>

See notes to financial statements



EASTERN CAROLINA HOUSING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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.

Adoption of New Accounting Standard

Effective January 1, 2022, the Organization adopted ASC 842 *Leases*, which requires lessees to recognize a right-of-use (ROU) asset and lease liability on the balance sheet for most lease arrangements and expands disclosures about leasing arrangements. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed it to carry forward the historical lease classification.

The most significant effects of the adoption of ASC 842 on the Organization's financial statements are 1) the recognition of ROU assets and lease liabilities on the balance sheet for operating leases, and 2) significant new disclosures about leasing activities (see note "Leases"). On January 1, 2022 the Organization recognized approximately \$294,891 of ROU operating lease assets and approximately \$294,891 of operating lease liabilities, and no material impact to net assets.

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.

EASTERN CAROLINA HOUSING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Basis of Presentation - Continued

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.

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, 2022 management determined that the allowance for doubtful accounts was approximately, \$100,600.

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.

EASTERN CAROLINA HOUSING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Leases

Operating lease assets and finance lease assets are included in the “Operating lease right-of-use assets” and “Property, plant and equipment” line items in the Balance Sheet, for leases with terms longer than 12 months, respectively. The Organization enters into lease agreements for the use of real estate space. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization has elected to use the risk-free interest rate on all operating leases. Operating lease expense is recognized as an operating cost on a straight-line basis over the expected lease term in the Statement of Activities and Changes in Net Assets. For finance leases, the asset is amortized on a straight-line basis over the lease term, and interest on the lease liability is recognized in interest expense.

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.

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.

EASTERN CAROLINA HOUSING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Fair Value Hierarchy - Continued

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 September 30, 2023 which is the date the financial statements were available to be issued.

EASTERN CAROLINA HOUSING ORGANIZATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

LIQUIDITY

The Organization has \$2,238,706 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 and cash equivalents of \$1,709,487, investments of \$66,560, and accounts receivable, net \$462,659. 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	\$ 1,709,487
Restricted Cash - Security deposits	<u>6,983</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 1,716,470</u>

CERTIFICATES OF DEPOSIT

Certificates of deposit (CDs) totaling \$411,658 at December 31, 2022 are included in cash and cash equivalents in the accompanying financial statements. The certificates bear interest ranging from 0.15% to 0.30% and have maturities within twelve months.

CONCENTRATION OF CREDIT RISK

Periodically, cash balances in banks may exceed the federally insured amount of \$250,000. At December 31, 2022, the Organization had cash at one bank which exceeded the FDIC insurance limit of \$250,000 by approximately \$1,690,000. 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.

PROPERTY AND EQUIPMENT

	<u>Useful Life</u>	
	3 Yrs.	\$ 23,642
	5 Yrs.	537,574
	15 Yrs.	64,598
	40 Yrs.	3,668,157
Less accumulated depreciation		<u>(371,105)</u>
Property and equipment, net		<u>\$ 3,922,866</u>

EASTERN CAROLINA HOUSING ORGANIZATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

LEASES

The Organization has operating leases for corporate offices with a remaining lease terms of approximately two to three years, which may include options to extend the leases for up to 1 year, and some of which may include options to early terminate the leases. Operating lease cost approximated \$77,000 for the year then ended December 31, 2022. Finance leases were not material at December 31, 2022 and are not included in the disclosures below.

Additional quantitative lease information was as follows:

December 31:

	<u>2022</u>	<u>2021</u>
ROU assets obtained in exchange for lease liabilities:		
Operating leases	\$ 294,891	N/A
Weighted-average remaining lease term:		
Operating leases	2.9 yrs	N/A
Weighted-average discount rate:		
Operating leases	1.32%	N/A

The following is a reconciliation of future undiscounted cash flows to the operating lease liability and the related ROU asset, presented on the balance sheet on December 31, 2022:

2023	\$ 77,834
2024	78,000
2025	60,000
2026	10,000
Thereafter	<u>-</u>
Total future lease payments	225,834
Less risk-free interest	<u>(4,553)</u>
Present value of future lease payments	221,281
Less current portion of lease liability	<u>(75,364)</u>
Long-term lease liability	<u>\$ 145,917</u>
ROU asset	<u>\$ 219,154</u>

EASTERN CAROLINA HOUSING ORGANIZATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

COMMITMENTS

The Organization leases certain real property used in its program and support activities. Rental expense for these properties was approximately \$716,000 in 2022. 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 2022. The approximate minimum future lease commitments as of December 31, 2022 are as follows: 2023 - \$665,000; 2024 - \$193,000; 2025 - \$84,000; 2026 - \$10,000; thereafter - \$-0-.

INVESTMENTS

Investments at December 31, 2022, were comprised of the following:

Equity securities	<u>\$ 66,560</u>
Total investments	<u><u>\$ 66,560</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, 2022 are summarized below:

Net unrealized loss recognized on equity securities held	\$ (29,005)
Dividend income	496
Interest income	<u>2,193</u>
Total investment loss	<u><u>(26,316)</u></u>

LINE OF CREDIT

The Organization has discretionary unsecured lines of credit totaling \$500,000. Each draw on the line of credit requires approval by the lender. The first line of credit is scheduled to mature on September 1, 2024 and bears interest rate equal to the lender’s index rate plus 1%. The outstanding balance at December 31, 2022 is \$5,426. The second line of credit is scheduled to mature May 20, 2023 and bears interest equal to the prime rate. The outstanding balance at December 31, 2022 is \$250,000.

EASTERN CAROLINA HOUSING ORGANIZATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

NOTE PAYABLE

The following is a summary of notes payable as of December 31, 2022:

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.	\$ 83,380
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.	155,430
Note payable dated October 21, 2022, due in monthly installments of \$26,062, 5.1% interest, through October 21, 2032, secured by a Deed of Trust on the land & building located at 6309 Hawthorne L. The note payable is presented net of debt issuance costs. Unamortized debt issuance costs totaling \$10,510 are being amortized over the life of the note. Amortization of debt issuance costs is recognized as interest expense in the accompanying financial statements.	2,411,633
Note payable dated November 1, 2022, due in monthly installments of \$2,336, 6.45% interest, through November 1, 2027, secured by 740 Office Building.	<u>266,553</u>
	2,916,996
Current portion of notes payable	<u>(231,385)</u>
	<u>\$ 2,685,611</u>

Principal payments on notes payable are due as follows:

	Principal Maturities	Issuance Cost Amortization	Notes Payable
2023	\$ 231,385	\$ (1,051)	\$ 230,334
2024	302,953	(1,051)	301,902
2025	370,951	(1,051)	369,900
2026	240,179	(1,051)	239,128
Thereafter	<u>1,782,038</u>	<u>(6,306)</u>	<u>1,775,732</u>
	<u>\$ 2,927,506</u>	<u>\$ (10,510)</u>	<u>\$ 2,916,996</u>



EASTERN CAROLINA HOUSING ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

RESTRICTIONS ON NET ASSETS

The Organization solicited contributions for various restricted funds in 2022. Cash raised of approximately \$90,000 is restricted to the cost of \$5,000 for emergency hotel and food, \$12,000 for the wellness center, \$16,000 for donation center, and \$57,000 for substance recovery. The restrictions are considered to expire when payments are made.

GIFTS-IN-KIND

The Organization received gifts-in-kind of approximately \$-0- for the year ended December 31, 2022.

RELATED PARTY

During 2022, the Organization paid approximately \$36,000 to an officer of the organization for consulting for the Continuum of Care grant collaborative application.

EASTERN CAROLINA HOUSING ORGANIZATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2022

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	20-42-402		\$ 714,107
Supportive Service to Veterans Families	64.033	20-SC-402-20		1,668,986
Supportive Service to Veterans Families	64.033	20-SC-402-SS		239,699
Supportive Service to Veterans Families	64.033	20-SC-402-LT		37,337
Total for Program				<u>2,660,129</u>
U.S. Department of Veterans Affairs direct program:				
Homeless Providers Grant & Per Diem	64.024	ECH712-2248-534-CG-22		77,977
Homeless Providers Grant & Per Diem	64.024	ECH712-2248-534-CM-22		48,050
Total for Program				<u>126,027</u>
Total U.S. Department of Veterans Affairs				2,786,156
U.S. Department of Housing and Urban Development direct program:				
Continuum of Care	14.267	SC0076L4E032010		35,898
	14.267	SC0076L4E032111		80,597
	14.267	SC0136L4E032004		415,870
	14.267	SC0136L4E032105		422,801
	14.267	SC0034L4E032013		177,269
	14.267	SC0034L4E032114		86,993
	14.267	SC0123L4E032005		83,214
	14.267	SC0123L4E032106		37,408
	14.267	SC0166L4E032001		117,925
	14.267	SC0148L4E032003		97,368
	14.267	SC0148L4E032104		142,398
	14.267	SC0147L4E032003		87,612
	14.267	SC0147L4E032104		78,104
	14.267	SC0160D4E032002		200,407
	14.267	SC0160D4E032103		78,378
	14.267	SC0179D4E032100		11,996
	14.267	SC0171L4E032000		22,212
	14.267	SC0178L4E032100		85,611
	14.267	SC0145L4E032003		55,077
	14.267	SC0145L4E032104		44,761
Total U.S. Department of Housing and Urban Development direct programs				<u>2,361,899</u>
				(Continued)

See notes to schedule of expenditures of federal awards

EASTERN CAROLINA HOUSING ORGANIZATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2022

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				
COVID-19 - Emergency Solutions Grant	14.231		E-20-DW-45-0001	<u>1,432,377</u>
Total Pass-through South Carolina Office of Economic Opportunity				<u>1,432,377</u>
Pass-through programs from Horry County				
COVID-19 - Emergency Solutions Grant	14.231		E-20-UW-45-0006	<u>176,867</u>
Total Program				<u>176,867</u>
COVID-19 CDBG Public Service Grant	14.218		B-20-UW-45-0006	<u>61,051</u>
Total Program				<u>61,051</u>
Total U.S. Department of Housing and Urban Development				4,032,194
Pass-through programs from Horry County				
Treasury - Emergency Rental Assistance	21.023		ERA0172	4,120,999
Treasury - Emergency Rental Assistance	21.023		ERA0172	9,976,500
Treasury - Emergency Rental Assistance	21.023		ERAE0108	6,943,015
Treasury - Emergency Rental Assistance	21.023		ERAE0108	305,631
Total U.S. Department of the Treasury				<u>21,346,145</u>
Total payments to subrecipient organizations				<u>-0-</u>
Total Expenditures of Federal Awards				<u><u>\$ 28,164,495</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, 2022

**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, 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 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 September 30, 2023, 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, 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, and have issued our report thereon dated September 30, 2023.

**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  
September 30, 2023



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, 2022. 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, 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 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  
September 30, 2023



EASTERN CAROLINA HOUSING ORGANIZATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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

CFDA 14.267

U.S. Department of Housing and Urban Development – Continuum of Care 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, 2022

**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.



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

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SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND  
RECOMMENDATIONS  
EASTERN CAROLINA HOUSING ORGANIZATION  
DECEMBER 31, 2022

Audit report, dated October 31, 2022 for the year ended December 31, 2021, issued by Jones, Pounder, & Associates, P.C.

**CORRECTIVE ACTION NOT STARTED OR IN PROCESS**

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

**CORRECTIVE ACTION COMPLETED**

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