

EASTERN CAROLINA HOUSING ORGANIZATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, 2023, 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, 2023, 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 November 26, 2024, 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
November 26, 2024

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,402,084
Investments	93,493
Current portion of promise to give	178,145
Accounts receivable, net	<u>439,618</u>

Total current assets 2,113,340

Restricted cash	13,800
Other receivable	10,209
Operating lease right-of-use asset	203,937
Finance lease right-of-use asset	43,281
Promise to give, net of current portion	1,270,549
Property and equipment, net	<u>5,263,063</u>

Total assets \$ 8,918,179

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 7,863
Payroll taxes withheld and accrued	35,279
Current portion finance lease liability	19,818
Current portion of operating lease liability	106,752
Current portion of notes payable	123,527
Lines of credit	<u>350,713</u>

Total current liabilities 643,952

Long Term Liabilities

Operating lease liability, net of current portion	100,351
Finance lease liability, net of current portion	24,248
Notes payable, net of current portion	<u>2,351,101</u>

Total long term liabilities 2,475,700

NET ASSETS

Net assets without donor restrictions	4,182,680
Net assets with donor restrictions	<u>1,615,847</u>

Total net assets 5,798,527

TOTAL LIABILITIES AND NET ASSETS \$ 8,918,179

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 199,607	\$ 1,615,847	\$ 1,815,454
Grant income	13,094,062	-	13,094,062
Program service revenue	1,136,451	-	1,136,451
Investment income	53,072	-	53,072
Other income, net	662,828	-	662,828
	<u>15,146,020</u>	<u>1,615,847</u>	<u>16,761,867</u>
EXPENSES			
Program services			
Continuum of Care	140,032	-	140,032
Homeless assistance	13,100,807	-	13,100,807
Total program services	<u>13,240,839</u>	<u>-</u>	<u>13,240,839</u>
Supporting services			
Management and general	437,382	-	437,382
	<u>437,382</u>	<u>-</u>	<u>437,382</u>
Total expenses	<u>13,678,221</u>	<u>-</u>	<u>13,678,221</u>
CHANGES IN NET ASSETS	1,467,799	1,615,847	3,083,646
NET ASSETS AT BEGINNING OF YEAR	<u>2,714,881</u>	<u>-</u>	<u>2,714,881</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,182,680</u>	<u>\$ 1,615,847</u>	<u>\$ 5,798,527</u>

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services	Total
	Continuum of Care	Homeless Assistance	Total	Management and General	Year Ended December 31, 2023
Wages and compensation	\$ 101,941	\$ 3,323,524	\$ 3,425,465	\$ 143,641	\$ 3,569,106
Insurance	-	47,276	47,276	15,917	63,193
Interest	-	161,921	161,921	22,979	184,900
Rent and occupancy	1,527	8,355,909	8,357,436	35,463	8,392,899
Repairs and maintenance	-	218,040	218,040	28,289	246,329
Supplies and furniture	25,499	433,485	458,984	2,401	461,385
Other	11,065	560,652	571,717	188,692	760,409
Total expenses	\$ 140,032	\$ 13,100,807	\$ 13,240,839	\$ 437,382	\$ 13,678,221

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOW FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 3,083,646
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	207,129
(Gain) Loss on disposition of equipment	514
Unrealized gain on investments	(26,933)
(Increase) decrease in current assets	
Promise to give	(1,698,694)
Other receivable	(6,324)
Accounts receivable, net	19,156
Operating lease right-of-use asset	107,479
Finance lease right-of-use asset	16,647
Increase (decrease) in current liabilities	
Accounts payable and accrued expense	(227,656)
Operating lease liability	(106,440)
	<u>1,368,524</u>
Net Cash Provided By Operating Activities	
	<u>1,368,524</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Proceeds from disposal of property and equipment	5,852
Purchase of property and equipment	(1,553,692)
	<u>(1,547,840)</u>
Net Cash Used By Investing Activities	
	<u>(1,547,840)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from promise to give restricted for long-term purposes	250,000
Repayments on notes payable	(442,368)
Payments on finance lease	(24,189)
Proceeds from line of credit, net	95,287
	<u>(121,270)</u>
Net Cash Used By Financing Activities	
	<u>(121,270)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(300,586)
CASH, CASH EQUIVALENTS, RESTRICTED CASH AT BEGINNING OF YEAR	<u>1,716,470</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 1,415,884</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid	<u><u>\$ 184,900</u></u>

See notes to financial statements

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

At the beginning of 2023, the Organization adopted ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

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

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Basis of Presentation - Continued

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 and Allowance for Credit Losses

Accounts receivable, net primarily consists of receivables for unpaid amounts from members for program services and pending grant reimbursements less an allowance for credit losses. The allowance for credit losses is based upon a periodic management review of the accounts. At December 31, 2023 management determined that the allowance for credit losses was approximately, \$13,400.

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.

Leases

Operating lease assets and finance lease assets are included in the "Operating lease right-of-use assets" and "Finance lease right-of-use assets" 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 finance and 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.

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Managements' Review of Subsequent Events

Subsequent events were evaluated through November 26, 2024 which is the date the financial statements were available to be issued.

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

LIQUIDITY

The Organization has \$2,113,340 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 \$1,402,084, investments of \$93,493, accounts receivable, net \$439,618, and current portion promise to give, net \$178,145. 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	\$ 1,402,084
Restricted Cash - Security deposits	<u>13,800</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u><u>\$ 1,415,884</u></u>

CONCENTRATION OF CREDIT RISK

Periodically, cash balances in banks may exceed the federally insured amount of \$250,000. At December 31, 2023, the Organization had cash at one bank which exceeded the FDIC insurance limit of \$250,000 by approximately \$339,000. 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.	849,636
	15 Yrs.	64,598
	40 Yrs.	4,868,851
Less accumulated depreciation		<u>(543,664)</u>
Property and equipment, net		<u><u>\$ 5,263,063</u></u>

OTHER RECEIVABLE

Other receivables include employee receivables which consist of loans due in 1-3 years. The balance due at December 31, 2023 totaled \$10,209.

EASTERN CAROLINA HOUSING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

LEASES

The Organization has operating and finance leases for certain corporate offices and equipment with 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.

The following table shows lease costs and ROU assets and lease liabilities as of December 31:

	<u>2023</u>
Lease cost	
Finance lease cost:	
Amortization of right-of-use assets	\$ 24,972
Interest on lease liabilities	2,100
Operating lease cost	112,041
Variable lease cost	-
Total lease cost	<u>\$ 139,113</u>
ROU assets obtained in exchange for lease liabilities:	
Operating leases	\$ 92,262
Finance leases	59,928
Weighted-average remaining lease term:	
Operating leases	2.0
Finance leases	2.2
Weighted-average discount rate:	
Operating leases	2.06%
Finance leases	4.44%

The following is a reconciliation of future undiscounted cash flows to the operating and finance lease liabilities and the related ROU assets, presented on the balance sheet on December 31, 2023:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2024	\$ 110,047	\$ 21,360
2025	82,367	21,360
2026	19,520	3,560
Total future lease payments	211,934	46,280
Less risk-free interest	<u>(4,831)</u>	<u>(2,214)</u>
Present value of future lease payments	207,103	44,066
Less current portion of lease liability	<u>(106,752)</u>	<u>(24,248)</u>
Long-term lease liability	<u>\$ 100,351</u>	<u>\$ 19,818</u>
ROU asset	<u>\$ 203,937</u>	<u>\$ 43,281</u>

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

COMMITMENTS

The Organization leases certain real property used in its program and support activities. Rental expense for these properties was approximately \$971,000 in 2023. The terms of the leases range from twelve months to three years with payments ranging from approximately \$95 to \$3,500 per month

INVESTMENTS

Investments at December 31, 2023, were comprised of the following:

Equity securities	<u>\$ 93,493</u>
Total investments	<u><u>\$ 93,493</u></u>

Investment income on equity securities for the year ended December 31, 2023 is summarized below:

Net unrealized gain recognized on equity securities held	\$ 31,815
Dividend income	12,253
Interest income	<u>63,585</u>
Total investment income	<u><u>\$ 107,653</u></u>

LINE OF CREDIT

The Organization has discretionary unsecured lines of credit totaling \$750,000. Each draw on the line of credit requires approval by the lender. The first line of credit is scheduled to mature on May 29, 2024 and bears interest rate equal to the lender’s index rate plus 1%. The outstanding balance at December 31, 2023 is \$68,688. The second line of credit is scheduled to mature October 17, 2025 and bears an interest rate of 8.5%. The outstanding balance at December 31, 2023 is \$282,500.

GIFTS-IN-KIND

The Organization received gifts-in-kind of approximately \$-0- for the year ended December 31, 2023.

RESTRICTIONS ON NET ASSETS

The Organization solicited contributions for various restricted funds in 2023. Cash and pledges raised of approximately \$1,616,000 is restricted to the cost of \$5,000 for emergency hotel and food, \$36,000 for the donation center, \$1,465,000 for Nardmoor improvements, and \$110,000 for substance recovery and homeless assistance. The restrictions are considered to expire when payments are made.

EMPLOYEE BENEFIT PLANS

The Organization sponsors a 403(B) Plan (the Plan) covering all employees with who agree to make contributions to the Plan. The Organization makes nonelective contributions to the Plan each year. Total expense for the year ended December 31, 2023, was approximately \$45,000.

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE PAYABLE

The following is a summary of notes payable as of December 31, 2023:

Note payable dated October 21, 2022, amended November 1, 2023, due in monthly installments of \$19,266, 5.5% 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 \$9,459 are being amortized over the life of the note. Amortization of debt issuance costs is recognized as interest expense in the accompanying financial statements. \$ 2,218,987

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. 255,641

2,474,628

Current portion of notes payable (123,527)

\$ 2,351,101

Principal payments on notes payable are due as follows:

	Principal Maturities	Issuance Cost Amortization	Notes Payable
2024	\$ 123,527	\$ (1,051)	\$ 122,476
2025	130,396	(1,051)	129,345
2026	137,879	(1,051)	136,828
2027	348,693	(1,051)	347,642
Thereafter	<u>1,743,592</u>	<u>(5,255)</u>	<u>1,738,337</u>
	<u><u>\$ 2,484,087</u></u>	<u><u>\$ (9,459)</u></u>	<u><u>\$ 2,474,628</u></u>

EASTERN CAROLINA HOUSING ORGANIZATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

PROMISES TO GIVE

The Organization received a multi-year promise to give in 2023. The promise to give is restricted to the Nardlisco Donor Advised Fund, discounted at 4.96% using the risk-free rate.

The unconditional promise to give at December 31, 2023, is as follows:

Promise to give at October 2, 2023	\$ 2,000,000
Less 2023 payment	<u>(250,000)</u>
Promise to give at December 31, 2023	<u>\$ 1,750,000</u>
Receivable in less than one year	\$ 250,000
Receivable in one to five years	1,250,000
Receivable in more than five years	<u>250,000</u>
Total promise to give	\$ 1,750,000
Less discounts to net present value	<u>(301,307)</u>
Net promise to give at December 31, 2023	<u>\$ 1,448,693</u>

RELATED PARTY

During 2023, the Organization paid approximately \$25,000 to an officer of the organization for consulting for the Continuum of Care grant collaborative application. Included as “Other Receivables” are certain employee note receivables. The balance due as of December 31, 2023 was approximately \$10,209. See also “Other receivable” note disclosure. A multi-year pledge was received from a board member during 2023, with a balance due of approximately \$1,449,000 as of December 31, 2023. See also “Promise to Give” note disclosure.

OTHER INCOME

Other income, net of \$663,215 consists of the following at December 31, 2023:

Employee Retention Tax Credit	\$ 608,552
Interest Income (related to Employee Retention Tax Credit)	<u>54,663</u>
Total other income, net	<u>\$ 663,215</u>

SUBSEQUENT EVENTS

Subsequent events were evaluated through November 26, 2024 which is the date the financial statements were available to be issued. Subsequent to year end, the Organization created Reverb Property Management (“Reverb LLC”), a subsidiary to manage all real estate property owned by the Organization. In May 2024, a board member donated the Grand Strand Housing real estate property to the Organization for approximately \$2,100,000. A construction loan for approximately \$380,000 was financed in coordination with the donation.

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

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	20-42-402-22		\$ 979,543
Supportive Service to Veterans Families	64.033	20-42-402-23		1,529,597
Supportive Service to Veterans Families	64.033	20-SC-402-SS		538,453
Supportive Service to Veterans Families	64.033	20-SC-402-LT		159,062
Total for Program				3,206,655
U.S. Department of Veterans Affairs direct program:				
Homeless Providers Grant & Per Diem	64.024	ECH712-2248-534-CG-22		864,581
Homeless Providers Grant & Per Diem	64.024	ECH712-2248-534-CM-22		87,283
Total for Program				951,864
Total U.S. Department of Veterans Affairs				4,158,519
U.S. Department of Housing and Urban Development direct program:				
Continuum of Care	14.267	SC0076L4E032111		48,170
	14.267	SC0076L4E032212		96,308
	14.267	SC0136L4E032105		424,417
	14.267	SC0136L4E032206		466,744
	14.267	SC0034L4E032114		212,329
	14.267	SC0034L4E032215		129,534
	14.267	SC0123L4E032106		64,188
	14.267	SC0123L4E032207		79,332
	14.267	SC0194L4E032200		6,472
	14.267	SC0184R4E032200		22,405
	14.267	SC0148L4E032104		254,143
	14.267	SC0148L4E032205		215,295
	14.267	SC0147L4E032104		66,613
	14.267	SC0147L4E032205		89,217
	14.267	SC0160D4E032103		162,802
	14.267	SC0160D4E032204		24,314
	14.267	SC0179D4E032100		529,333
	14.267	SC0179D4E032201		133,969
	14.267	SC0178L4E032100		24,630
	14.267	SC0195L4E032200		106,173
	14.267	SC0145L4E032104		44,163
	14.267	SC0145L4E032205		69,865
Total for Program				3,270,416
	14.276	SC0181Y4E032100		185,170
	14.276	SC0205Y4E032100		57,941
	14.276	SC0206Y4E032100		6,533
Total for Program				249,644
Total U.S. Department of Housing and Urban Development direct programs				3,520,060
				(Continued)

See notes to schedule of expenditures of federal awards

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

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-22-DC-45-0001	140,521
Emergency Solutions Grant	14.231		E-23-DC-45-0001	139,591
COVID-19 - Emergency Solutions Grant	14.231		E-20-DW-45-0001	567,450
Total Pass-through South Carolina Office of Economic Opportunity				<u>847,562</u>
Pass-through programs from Horry County				
Emergency Solutions Grant	14.231		E-21-UC-45-0006	132,832
Emergency Solutions Grant	14.231		E-23-UC-45-0006	211,998
COVID-19 - Emergency Solutions Grant	14.231		E-20-UW-45-0006	228,088
Total Program				<u>572,918</u>
COVID-19 CDBG Public Service Grant	14.218		B-20-UW-45-0006	5,773
Total Program				<u>5,773</u>
Tenant Based Rental Assistance	14.239		M-19-DC-45-0217	74,558
Total Program				<u>74,558</u>
Total U.S. Department of Housing and Urban Development				5,020,871
Pass-through programs from Horry County				
Treasury - Emergency Rental Assistance	21.023		ERA2-0448	1,151,744
Treasury - Emergency Rental Assistance	21.023		ERA2-0448	210,000
Treasury - Emergency Rental Assistance	21.023		ERAE0108	1,275,739
Treasury - Emergency Rental Assistance	21.023		ERAE0108	1,184,687
Total U.S. Department of the Treasury				<u>3,822,170</u>
Total payments to subrecipient organizations				<u>-0-</u>
Total Expenditures of Federal Awards				<u><u>\$ 13,001,560</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, 2023. 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 November 26, 2024, 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, 2023 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 November 26, 2024.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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
November 26, 2024



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, 2023. 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, 2023.

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
November 26, 2024

EASTERN CAROLINA HOUSING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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? See Finding Reference Numbers 2023-001 and 2023-002.

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 14.231

U.S. Department of Housing and Urban Development – Emergency Solutions Grant

CFDA 64.003

U.S. Department of Veteran Affairs – Supportive Service to Veterans Families

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, 2023

The findings detailed in the following paragraph are related to the audit of the financial statements that is required to be reported by GAAS and Government Auditing Standards.

CORRECTIVE ACTION COMPLETED

Finding Reference Number: 2023-001

Statement of Condition: Underpayment of compensation, causing an overstatement of net income of approximately \$1,000.

Criteria: Management should have internal controls in place to ensure the employee compensation agrees with the authorized payrate.

Cause: Due to lack of proper controls over payrate authorizations.

Effect: Overstatement of net income.

Questioned Costs: The finding involved no questioned costs.

Recommendation: Responsible management personnel should be reminded to review and reconcile authorized payrates to gross pay in accordance with internal control procedures.

Reporting views of responsible officials: Management lacked proper controls over employee payrate authorizations. In September 2024, the Organization incorporated a new payroll system to improve service delivery and audit compliance.

Finding Reference Number: 2023-002

Statement of Condition: Certain agreements with employees were not properly documented or recorded, causing an understatement of employee receivables due to unrecorded accrued interest.

Criteria: Management should have internal controls in place to ensure the employee loans are properly authorized, documented, and recorded.

Cause: Due to lack of proper controls over certain employee notes receivables.

Effect: Receivables from employees did not include accrued interest expense and related interest income on employee loans was not recorded.

Questioned Costs: The finding involved no questioned costs.

Recommendation: Responsible management personnel should be reminded to ensure proper internal controls are in place to monitor all employee notes. The board should approve of any loan involving a key employee.

Reporting views of responsible officials: Management did not maintain authorized employee note agreements. Management will now ensure any employee notes are properly documented, authorized, and recorded in the general ledger.



SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND
RECOMMENDATIONS
EASTERN CAROLINA HOUSING ORGANIZATION
DECEMBER 31, 2023

A. Current findings on the Schedule of Findings, Questioned Costs, and Recommendations.

1. Finding 2023-01

a. Comments on the finding and recommendations

The managing agent agrees with finding 2023-01.

b. Actions taken or planned

Finding 2023-01:

Management has advised the following: (1) it agrees with the finding; (2) In September 2024, the Organization incorporated a new payroll system to improve service delivery and audit compliance.

Finding 2023-02

1

c. Comments on the finding and recommendations

The managing agent agrees with finding 2023-02.

d. Actions taken or planned

Finding 2023-02:

Management has advised the following: (1) it agrees with the finding; (2) Management did not maintain authorized employee note agreements. Management will now ensure any employee notes are properly documented, authorized, and recorded in the general ledger.