

ECONOMIC IMPROVEMENT COUNCIL, INC.

**FINANCIAL STATEMENTS
AND COMPLIANCE**

EDENTON, NORTH CAROLINA

YEAR ENDED JUNE 30, 2023

ECONOMIC IMPROVEMENT COUNCIL, INC.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	15
Independent Auditors' Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Uniform Guidance	17
Schedule of Findings and Questioned Costs	19
Corrective Action Plan	22
Summary Schedule of Prior Years' Audit Findings	23
Schedule of Expenditures of Federal and State Awards	25
Notes to Schedule of Expenditures of Federal and State Awards	26



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
 Phyllis M. Pearson

Zebulon Office
 P.O. Box 1036
 806 N. Arendell Ave.
 Zebulon, NC 27597
 919.269.7405
 919.269.8728 Fax

Raleigh Office
 9121 Anson Way
 Raleigh, NC 27615
 919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
 Association of
 Certified Public
 Accountants

American Institute
 Of Certified Public
 Accountants

Medical Group
 Management
 Association

Independent Auditors' Report

To the Board of Directors
 Economic Improvement Council, Inc.
 Edenton, North Carolina

Opinion

We have audited the accompanying financial statements of Economic Improvement Council, Inc., which collectively comprise the statements of financial position as of June 30, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Improvement Council, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity 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 statement 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 Responsibility section of our report. We are required to be independent of Economic Improvement Council, Inc. 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 opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Economic Improvement Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are to be issued.

Auditor's Responsibility

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Economic Improvement Council, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Improvement Council, Inc.'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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Economic Improvement Council, Inc.'s basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic 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 March 15, 2024 on our consideration of Economic Improvement Council, Inc.'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 the report is 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 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 Economic Improvement Council, Inc.'s internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 15, 2024

ECONOMIC IMPROVEMENT COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Assets

Current Assets

Cash	\$	2,101,874
Restricted cash		562,758
Mortgage receivable		45,595
Sales tax receivable		138,273
Other receivables		8,902
Total current assets		2,857,402

Noncurrent Assets

Net property and equipment		1,428,161
TOTAL ASSETS	\$	4,285,563

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

Accounts payable	\$	196,384
Payroll liabilities		323,593
Accrued leave		15,878
FSS escrows		199,757
Total current liabilities		735,612
Total liabilities		735,612

Net assets

Without donor restrictions		
Unrestricted		1,559,032
Invested in property and equipment		1,428,161
With donor restrictions		
Housing assistance program		562,758
Total net assets		3,549,951
TOTAL LIABILITIES AND NET ASSETS	\$	4,285,563

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

**ECONOMIC IMPROVEMENT COUNCIL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Totals
Changes net assets			
Revenues			
In-kind contributions	\$ 944,355	\$ -	\$ 944,355
Governmental grants - Federal	16,911,746	7,679,376	24,591,122
Governmental grants - State	190,900	-	190,900
Interest income	9,506	-	9,506
Private grants	60,163	-	60,163
Other	2,047	-	2,047
Total revenues	18,118,717	7,679,376	25,798,093
Net assets released from restrictions			
Satisfaction of program restrictions	7,438,168	(7,438,168)	-
Total revenues and other support	25,556,885	241,208	25,798,093
Expenses			
Program services			
Early Head Start/Head Start Programs	16,447,212	-	16,447,212
NC Pre-K Program	6,368	-	6,368
Child Nutrition Program	767,119	-	767,119
Community Services Block Grant Program	440,997	-	440,997
Community Services Block Grant CARES Program	187,982	-	187,982
Weatherization Programs	745,847	-	745,847
Section 8 Housing Program	7,660,867	-	7,660,867
Supporting services			
Management and general	-	-	-
Administrative	89,541	-	89,541
Total expenses	26,345,933	-	26,345,933
Change in net assets	(789,048)	241,208	(547,840)
Net assets - beginning of year	3,776,241	321,550	4,097,791
NET ASSETS - END OF YEAR	\$ 2,987,193	\$ 562,758	\$ 3,549,951

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

**ECONOMIC IMPROVEMENT COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30 2023**

2023

	Program Services						Supporting Services		Totals
	Early Head Start/Head Start Programs	NC Pre-K Program	Child Nutrition Program	Community Services Block Grant Program	Community Services Block Grant CARES Program	Weatherization Programs	Section Eight Housing Programs	Management and General	
Salaries and wages	\$ 7,416,526	\$ 5,621	\$ -	\$ 14,183	\$ 265,048	\$ 391,646	\$ 688,114	\$ -	\$ 8,942,168
Payroll taxes	530,510	-	-	1,091	32,891	29,663	45,005	-	651,872
Retirement expense	219,280	-	-	-	10,553	20,594	36,449	-	293,833
Other employee benefits	911,307	-	-	1,669	37,517	76,090	73,990	-	1,124,367
Consultant and contract services	1,677,130	-	-	-	42,326	4,505	36,786	-	1,719,456
Travel and transportation	122,390	-	3,285	2,123	9,534	-	-	-	189,055
Space cost	280,250	-	-	-	-	-	-	-	280,250
Utilities	564,065	-	173	1,284	959	6,475	-	-	572,956
Supplies	915,771	-	-	7,907	1,575	10,035	13,665	-	949,006
Printing and Advertising	7,162	-	-	782	939	1,404	4,149	-	14,436
Postage	2,329	-	-	104	151	11,327	1,028	-	14,939
Dues and memberships	3,796	-	-	101	151	403	6,655	-	11,106
Support services	1,223	-	-	129,231	32,515	7,716	-	-	337,657
Housing assistance payments	-	-	-	-	-	6,874,651	-	-	6,874,651
Food	55,323	-	763,661	-	195,676	-	-	-	818,984
Materials	-	-	-	-	-	-	-	-	195,676
Health and safety	271	-	-	-	-	-	-	-	271
Maintenance and repairs	757,909	-	-	3,401	1,959	29,215	11,749	-	804,233
FSS escrow	-	-	-	-	-	61,836	-	-	61,836
Insurance	125,447	-	-	3,804	4,909	12,988	19,077	-	166,225
Professional fees	78,225	-	-	2,086	3,129	8,344	12,516	-	104,300
Career development and training	236,851	-	-	12,029	17,578	8,377	37,610	-	312,445
Telephone and computer	33,046	-	-	8,844	17,355	49,785	68,969	-	177,999
Other	367,921	-	-	34,878	20,237	2,282	46,027	56,413	527,764
Depreciation	210,592	-	-	-	12,701	1,474	-	31,594	256,361
In-kind services/supplies	944,087	-	-	-	-	-	-	-	944,087
TOTAL FUNCTIONAL EXPENSES	15,461,411	5,621	767,119	186,097	707,703	7,608,810	1,101,789	88,007	26,345,933
Indirect costs	985,801	747	-	1,885	38,144	52,057	(1,101,789)	1,534	-
TOTAL EXPENSES	\$ 16,447,212	\$ 6,368	\$ 767,119	\$ 187,982	\$ 745,847	\$ 7,660,867	\$ -	\$ 89,541	\$ 26,345,933

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

ECONOMIC IMPROVEMENT COUNCIL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

Cash flows from operating activities	
Change in net assets	\$ (547,840)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	256,361
Changes in current assets and liabilities	
Grants and contracts receivable	-
Sales tax receivable	432,981
Other receivables	(8,902)
Prepaid expense	-
Accounts payable	(56,361)
Payroll liabilities	-
FSS escrow	37,048
Accrued leave payable	2,370
Refundable advances	-
Net cash provided (used) by operating activities	<u>115,657</u>
 Cash flows from investing activities	
Purchase of property and equipment	<u>(256,116)</u>
Net cash provided (used) by investing activities	<u>(256,116)</u>
 NET INCREASE (DECREASE) IN CASH	
	(140,459)
Cash - beginning of year	<u>2,805,091</u>
CASH - END OF YEAR	<u><u>\$ 2,664,632</u></u>
 SUMMARY OF CASH ACCOUNTS	
Cash	\$ 2,101,874
Restricted cash	<u>562,758</u>
TOTAL	<u><u>\$ 2,664,632</u></u>
 SUPPLEMENTAL DISCLOSURE:	
In-kind contributions	<u><u>\$ 944,355</u></u>

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

ECONOMIC IMPROVEMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1 - Description of the Agency

Economic Improvement Council, Inc. (the Agency), a nonprofit organization, was incorporated on May 28, 1966 in North Carolina. The Agency's purpose is to advance the general welfare of the people of Northeastern North Carolina. The Agency provides housing assistance, weatherization services, job development, child care assistance and poverty elimination strategies to disadvantaged populations in an effort to increase their living standards.

Note 2 - Summary of significant accounting policies

Basis of accounting - The financial statements of the Agency have been prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Net Assets -

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- **Net Assets With Donor Restrictions:** Net assets subject to donor (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetuity in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources were restricted has been fulfilled, or both.

Cash - The Agency maintains its cash accounts in local banks. These accounts are insured by the Federal Deposit Insurance Corporation as collateral to secure the Agency's deposits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit loss on cash. Restricted cash includes FSS escrows, refundable advances, HUD housing assistance payments, and funds designated for scholarships.

Allowance for doubtful accounts - The Agency considers grants receivable, contracts receivable and other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is established.

Property and equipment - Property and equipment are stated at cost at the date of acquisition or, if donated, at the fair market value at the date of donation. The Agency capitalizes all property and equipment purchases in excess of \$5,000. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Property

ECONOMIC IMPROVEMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

and equipment purchased with Federal funds is subject to the reversionary rights of the grantor.

Furniture, equipment and vehicles have estimated useful lives that range from 5 to 10 years. Buildings and building improvements have useful lives that range from 10 to 30 years.

Expenditures for repairs and maintenance are charged to expense as incurred. The cost of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition of property and equipment, the respective assets and accumulated depreciation accounts are relieved and any related gain or loss is reflected in operations.

Accrued leave - Vacation pay is accrued based on unused annual leave time. The Organization does not allow carryover of accrued leave. Accrued leave is lost at the end of each employee's grant period.

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 Statements of Activities as net assets released from restrictions.

Contributions received that have time restrictions or purpose restrictions that expire within the same fiscal year are reported as net assets without donor restrictions.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising expense - The Agency expenses advertising costs as incurred. Advertising costs incurred to advertise for vacancies and for program services were \$7,196 for the year ended June 30, 2023.

Tax status - The Agency is exempt from federal and State income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and the applicable State tax statutes. In addition, the Agency qualifies for the charitable contribution deductions under Section 170(b)(1)(a) and has been qualified as an organization that is not a private foundation

ECONOMIC IMPROVEMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

under Section 509(a)(2) of the U.S. Internal Revenue Code. The Agency has not adopted any uncertain tax positions as of June 30, 2023.

Statements of cash flows - For purposes of reporting cash flows, the Agency considers cash to include cash on hand and amounts in banks.

Note 3 - Net property and equipment

Net property and equipment consist of the following:

Land	\$ 177,705
Buildings, improvements, furniture and equipment	4,913,986
Less accumulated depreciation	<u>(3,663,530)</u>
	<u>\$ 1,428,161</u>

Depreciation expense was \$256,362 for the year ended June 30, 2023.

Note 4 - Mortgage Receivable

In fiscal year 2015, the Agency sold a house and lot located in Edenton, North Carolina to an employee who left the Agency in 2017. The selling price of the house was \$55,000 and the Agency received a mortgage note for the purchase price of the house. At June 30, 2023, the balance due on the note receivable was \$45,595. The note requires monthly payments of \$232, including interest at 3%.

Note 5 - FSS Escrows

As of June 30, 2023, the Agency was holding \$199,757 for third parties which represents savings for clients to be used for down payments on homes.

Note 6 - Net assets released from restrictions

Net assets were released from contractual restrictions by incurring expenses satisfying the restricted purposes of the grant award as follows:

Provision of services to program participants	\$ 7,438,168
	<u>\$ 7,438,168</u>

Note 7 - Net Assets With Donor Restrictions

Net Assets with donor restrictions totaled \$562,758 which consisted of funds restricted for housing assistance payments.

Note 8 - In-kind contributions

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Agency's programs, primarily in the Head Start program.

ECONOMIC IMPROVEMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Donated services, materials, supplies and space are valued at the market value and fair rental value at time of donation, respectively. At June 30, 2023, donated services, space, material and supplies were valued at \$944,087.

Note 9 - 401(k) Retirement Plan

The Agency sponsors a 401(k) Plan (the Plan) covering all full-time employees with at least three months of service and without regard to age limitations. The Agency makes a contribution to the Plan each year equal to 7% of all participants' base compensation. The vesting schedule of the Plan provides for ten percent vesting after one full year of service and one hundred percent vesting after two full years of service. Total expense for the year ended June 30, 2023 was \$293,833.

Note 10 - Contingencies

The Agency receives grant funds from federal and nonfederal agencies. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Agency.

The COVID-19 pandemic in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 pandemic is ongoing as of June 30, 2023, and additional impact on operational and financial performance may occur.

Note 11 - Concentrations of funding

The Agency received 89.69% of its funding through the U.S. Department of Health and Human Services, U.S. Department of Agriculture and the U.S. Department of Housing and Urban Development for the year ended June 30, 2023.

Note 12 - Subsequent Events

The Agency has evaluated subsequent events from the date of the statement of financial position through the date the report is available to be issued which is the date of the independent auditors' report. The Agency has not evaluated subsequent events after that date. There were no subsequent events during this period that required disclosure.

Note 13 - Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended June 30, 2023, the Agency carried insurance through various commercial carriers to cover all risks of losses. The Agency has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

ECONOMIC IMPROVEMENT COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 14 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprising of the following:

Cash	\$2,101,874
Mortgage receivable	45,595
Sales tax receivable	138,273
Other receivables	8,902
	\$2,294,644

Note 15- Operating Leases

The Agency has entered into various non-cancelable operating leases, expiring through October 2023, for the rental and maintenance of equipment. Equipment rental and maintenance expense for the year ended June 30, 2023 was \$16,876.

The minimum future rental payments under these operating leases are as follows:

Year Ended	Amount
June 30	
2024	\$ 600
	\$ 600

Note 16 - Administrative Pool

The Agency operates an Administrative Pool whereby indirect costs are allocated among the various grants in the proportion that a specific grant's total direct costs bear to total Agency direct costs. This allocation plan is approved by the Agency's cognizant agent, the U. S. Department of Health and Human Services. The Agency received approval for an indirect cost rate of 15.40% for the period ended June 30, 2023. The direct costs of the Administrative Pool have been included in the total expenses in the statement of activities. The indirect costs charged to the programs are also included in the statement of activities.

COMPLIANCE SECTION



PETWAY
MILLS &
PEARSON, PA
 CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
 Phyllis M. Pearson

Zebulon Office
 P.O. Box 1036
 806 N. Arendell Ave.
 Zebulon, NC 27597
 919.269.7405
 919.269.8728 Fax

Raleigh Office
 9121 Anson Way
 Raleigh, NC 27615
 919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
 Association of
 Certified Public
 Accountants

American Institute
 Of Certified Public
 Accountants

Medical Group
 Management
 Association

**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**

Independent Auditors' Report

To the Board of Directors
 Economic Improvement Council, Inc.
 Edenton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statement of financial position as of June 30, 2023 and of Economic Improvement Council, Inc., and the statements of activities, functional expenses and cash flows for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Economic Improvement Council, Inc.'s basic financial statements, and have issued our report thereon dated March 15, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Improvement Council, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Economic Improvement Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Economic Improvement Council, Inc.'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

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 15, 2024



**PETWAY
MILLS &
PEARSON, PA**
CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

**Report on Compliance for Each Major Federal Program and on Internal Control over
Compliance in Accordance with Uniform Guidance**

Independent Auditors' Report

To the Board of Directors
Economic Improvement Council, Inc.
Edenton, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Economic Improvement Council, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Economic Improvement Council, Inc. 's major Federal program as of and for the year ended June 30, 2023. Economic Improvement Council, Inc. 's major Federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Economic Improvement Council, Inc. 's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Economic Improvement Council, Inc. 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 compliance determination of Economic Improvement Council, Inc 's Federal programs.

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, regulations, rules and provisions of contracts, or grants applicable to Economic Improvement Council, Inc. 's Federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Economic Improvement Council, Inc. '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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 Economic Improvement Council, Inc. 's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment/ maintain professional skepticism throughout our audit.
- Identify and assess the risk 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 Economic Improvement Council, Inc. '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 Economic Improvement Council, Inc. '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 Economic Improvement Council, Inc. 's internal control over compliance. Accordingly, no such opinion is expressed.

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 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 15, 2023

**ECONOMIC IMPROVEMENT COUNCIL, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II FINANCIAL STATEMENT FINDINGS

None reported.

**ECONOMIC IMPROVEMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**ECONOMIC IMPROVEMENT COUNCIL, INC
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

SECTION II FINANCIAL STATEMENT FINDINGS

None required.

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required.

ECONOMIC IMPROVEMENT COUNCIL, INC
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

There were no findings for the year ended June 30, 2022.

THIS PAGE INTENTIONALLY LEFT BLANK.

ECONOMIC IMPROVEMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal/State Grantor/Pass- Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Federal awards			
U.S. Department of Health and Human Services			
Direct Program			
Head Start	93.600	04-CH011500/01/00	\$ 3,533,722
Head Start	93.600	04-CH010401/05/00	4,807,742
Natural Disaster Relief Funds	93.600		220,022
American Rescue Plan Act	93.600		1,398,354
Early Head Start	93.600	04-HP000154/02/00	2,130,344
Total Direct Programs			<u>12,090,184</u>
Passed-Through Program from North Carolina			
Department of Health and Human Services			
Community Services Block Grant	93.569	37131	311,299
Total U.S. Depart. of Health and Human Services			<u>12,401,483</u>
U.S. Department of Agriculture			
Passed-Through Program from North Carolina			
Health and Human Services			
Child and Adult Care Food Program	10.558	9452	471,427
Child and Adult Care Food Program	10.558	7193	284,805
Total U.S. Department of Agriculture			<u>756,232</u>
U.S. Department of Energy			
Passed-Through from North Carolina Department of Environmental Quality:			
Weatherization Assistance for Low-Income Persons	81.042	7635	619,954
U.S. Department of Housing and Urban Development			
Direct Program			
Section 8 - Housing Choice Vouchers	14.871		7,679,376
Direct Program			
Family Self-Sufficiency Program	14.896		76,967
Total U.S. Depart. of Housing and Urban Development			<u>7,756,343</u>
Total Federal Awards			<u>21,534,012</u>
State Awards			
North Carolina Department of Public Instruction			
NC PreK			6,368
Total State Awards			<u>6,368</u>
Total Federal and State Awards			<u>\$ 21,540,380</u>

The accompanying notes are an integral part of this schedule.