

EAST COOPER COMMUNITY OUTREACH  
MOUNT PLEASANT, SOUTH CAROLINA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**EAST COOPER COMMUNITY OUTREACH  
TABLE OF CONTENTS  
JUNE 30, 2019 AND 2018**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 17

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
East Cooper Community Outreach  
Mount Pleasant, South Carolina

We have audited the accompanying consolidated financial statements of East Cooper Community Outreach (a nonprofit corporation) and Subsidiary which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the East Cooper Community Outreach and Subsidiary as of June 30, 2019, and the change 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.

***Adjustments to Prior Period Consolidated Financial Statements***

The consolidated financial statements of East Cooper Community Outreach and Subsidiary as of June 30, 2018, were audited by other auditors whose opinion dated November 1, 2018, expressed an unmodified opinion on those consolidated financial statements. As discussed in Note 14 to the consolidated financial statements, the organization has adjusted its 2018 consolidated financial statements to retrospectively correct certain balances. The other auditors reported on the consolidated financial statements before the retrospective adjustments.

As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments to the 2018 consolidated financial statements to retrospectively correct certain balances as described in Note 14. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to East Cooper Community Outreach's 2018 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated financial statements as a whole.

*Glaser and Company, LLC*

Charleston, South Carolina  
October 28, 2019

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 386,784	\$ 519,118
Grants and other receivables	15,581	4,192
Prepaid expenses	22,658	10,279
Total Current Assets	425,023	533,589
<b><u>Non-Current Assets</u></b>		
Investments	1,080,505	878,992
Property and equipment, net	1,143,370	1,186,016
Total Non-Current Assets	2,223,875	2,065,008
<b>Total Assets</b>	<b>\$ 2,648,898</b>	<b>\$ 2,598,597</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts payable	\$ 17,478	\$ 39,206
Accrued payroll and related liabilities	7,257	13,580
Total Current Liabilities	24,735	52,786
<b>Total Liabilities</b>	24,735	52,786
<b><u>Net Assets</u></b>		
Without donor restriction		
Undesignated	2,300,373	2,233,644
Designated for capital improvement	40,873	62,000
Total	2,341,246	2,295,644
With donor restriction	282,917	250,167
Total Net Assets	2,624,163	2,545,811
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,648,898</b>	<b>\$ 2,598,597</b>

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 789,367	\$ 38,000	\$ 827,367
Contributions - in-kind food	771,500	-	771,500
Contributions - in-kind services	285,799	-	285,799
Special events, (net of direct costs of \$132,571)	159,835	-	159,835
Grants	260,487	25,000	285,487
Miscellaneous	7,160	-	7,160
Investment income, net	62,860	-	62,860
<b>Total support and revenue</b>	<b>2,337,008</b>	<b>63,000</b>	<b>2,400,008</b>
 Net assets released from restriction	 30,250	 (30,250)	 -
 Total support and revenue and net assets released from restriction	 2,367,258	 32,750	 2,400,008
<b>Expenses</b>			
Program services:			
Community outreach and empowerment	1,376,725	-	1,376,725
Dental and medical services	695,637	-	695,637
<b>Total program services</b>	<b>2,072,362</b>	<b>-</b>	<b>2,072,362</b>
Supporting services:			
Management and general	169,878	-	169,878
Fundraising	79,416	-	79,416
<b>Total supporting services</b>	<b>249,294</b>	<b>-</b>	<b>249,294</b>
 Total expenses	 2,321,656	 -	 2,321,656
 Increase in net assets	 45,602	 32,750	 78,352
 <b>Net Assets at Beginning of Year</b>	 2,295,644	 250,167	 2,545,811
 <b>Net Assets at End of Year</b>	 \$ 2,341,246	 \$ 282,917	 \$ 2,624,163

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 965,147	\$ 5,000	\$ 970,147
Contributions - in-kind food	501,952	-	501,952
Contributions - in-kind services	277,767	-	277,767
Special events, (net of direct costs of \$99,567)	181,897	-	181,897
Grants	260,461	18,750	279,211
Miscellaneous	5,773	-	5,773
Investment income, net	67,702	-	67,702
<b>Total support and revenue</b>	<b>2,260,699</b>	<b>23,750</b>	<b>2,284,449</b>
 Net assets released from restriction	 <u>365,639</u>	 <u>(365,639)</u>	 <u>-</u>
 Total support and revenue and net assets released from restriction	 <u>2,626,338</u>	 <u>(341,889)</u>	 <u>2,284,449</u>
<b>Expenses</b>			
Program services:			
Community outreach and empowerment	1,153,772	-	1,153,772
Dental and medical services	730,053	-	730,053
<b>Total program services</b>	<b>1,883,825</b>	<b>-</b>	<b>1,883,825</b>
Supporting services:			
Management and general	140,838	-	140,838
Fundraising	30,952	-	30,952
<b>Total supporting services</b>	<b>171,790</b>	<b>-</b>	<b>171,790</b>
 Total expenses	 <u>2,055,615</u>	 <u>-</u>	 <u>2,055,615</u>
 Increase (decrease) in net assets	 <u>570,723</u>	 <u>(341,889)</u>	 <u>228,834</u>
 <b>Net Assets at Beginning of Year</b>	 <u>1,614,353</u>	 <u>682,457</u>	 <u>2,296,810</u>
 Prior Period Adjustment	 <u>110,568</u>	 <u>(90,401)</u>	 <u>20,167</u>
 Net Assets at beginning of year, restated	 <u>1,724,921</u>	 <u>592,056</u>	 <u>2,316,977</u>
 <b>Net Assets at End of Year</b>	 <u><u>\$ 2,295,644</u></u>	 <u><u>\$ 250,167</u></u>	 <u><u>\$ 2,545,811</u></u>

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Outreach and Empowerment</u>	<u>Dental and Medical</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
<b><u>Personnel</u></b>						
Salaries	\$ 297,902	\$ 206,915	\$ 504,817	\$ 116,269	\$ 54,606	\$ 675,692
Employee benefits	23,342	26,837	50,179	21,461	6,689	78,329
Payroll taxes	18,535	12,538	31,073	15,363	5,129	51,565
Total personnel	<u>339,779</u>	<u>246,290</u>	<u>586,069</u>	<u>153,093</u>	<u>66,424</u>	<u>805,586</u>
<b><u>Other functional expenses</u></b>						
Food and clothing assistance	790,667	-	790,667	-	-	790,667
Financial assistance	43,368	-	43,368	-	-	43,368
Out of poverty education	34,800	-	34,800	-	-	34,800
Donated dental and other services	3,108	281,210	284,318	283	-	284,601
Pharmacy assistance	-	12,290	12,290	-	-	12,290
Other programs	17,867	34,811	52,678	-	-	52,678
Janitorial	4,799	3,490	8,289	349	87	8,725
Rent	5,500	-	5,500	-	-	5,500
Repairs and maintenance	6,963	8,258	15,221	284	71	15,576
Small equipment and software	1,664	4,810	6,474	121	30	6,625
Volunteer development	2,554	-	2,554	-	-	2,554
Office supplies and printing	10,799	5,404	16,203	541	135	16,879
Insurance	9,359	6,807	16,166	3,658	170	19,994
Professional and consulting services	2,888	26,055	28,943	1,262	9,360	39,565
Postage	1,379	1,003	2,382	125	836	3,343
Marketing and public relations	15,691	11,412	27,103	1,427	1,937	30,467
Seminars and workshops	6,213	3,960	10,173	495	-	10,668
Dues and subscriptions	1,923	1,398	3,321	175	-	3,496
Utilities	28,521	14,618	43,139	1,462	366	44,967
Bank fees	-	-	-	2,566	-	2,566
Depreciation and amortization	48,104	33,254	81,358	3,917	-	85,275
Miscellaneous	779	567	1,346	120	-	1,466
Total other functional expenses	<u>1,036,946</u>	<u>449,347</u>	<u>1,486,293</u>	<u>16,785</u>	<u>12,992</u>	<u>1,516,070</u>
Total expenses	<u>\$ 1,376,725</u>	<u>\$ 695,637</u>	<u>\$ 2,072,362</u>	<u>\$ 169,878</u>	<u>\$ 79,416</u>	<u>\$ 2,321,656</u>

See accompanying notes to the consolidated financial statements.



**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total</u>
	<u>Outreach and Empowerment</u>	<u>Dental and Medical</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
<b><u>Personnel</u></b>						
Salaries	\$ 323,483	\$ 224,301	\$ 547,784	\$ 107,613	\$ 28,433	\$ 683,830
Employee benefits	38,978	37,913	76,891	9,689	2,519	89,099
Payroll taxes	20,791	18,551	39,342	8,985	-	48,327
Total personnel	<u>383,252</u>	<u>280,765</u>	<u>664,017</u>	<u>126,287</u>	<u>30,952</u>	<u>821,256</u>
<b><u>Other functional expenses</u></b>						
Food and clothing assistance	512,823	-	512,823	-	-	512,823
Financial assistance	49,298	1,035	50,333	-	-	50,333
Out of poverty education	32,663	-	32,663	-	-	32,663
Donated dental and other services	2,002	259,056	261,058	182	-	261,240
Pharmacy assistance	-	14,629	14,629	-	-	14,629
Other programs	18,599	44,656	63,255	-	-	63,255
Janitorial	4,842	12,117	16,959	440	-	17,399
Repairs and maintenance	17,561	3,522	21,083	1,124	-	22,207
Small equipment and software	2,952	3,902	6,854	75	-	6,929
Volunteer development	3,723	2,482	6,205	-	-	6,205
Office supplies and printing	10,408	5,183	15,591	648	-	16,239
Insurance	7,928	7,035	14,963	2,942	-	17,905
Professional and consulting services	2,750	24,480	27,230	1,250	-	28,480
Postage	2,307	1,678	3,985	210	-	4,195
Marketing and public relations	12,475	9,073	21,548	1,134	-	22,682
Seminars and workshops	5,283	3,715	8,998	464	-	9,462
Dues and subscriptions	1,204	876	2,080	109	-	2,189
Utilities	28,103	14,600	42,703	1,825	-	44,528
Bank fees	2,469	1,795	4,264	225	-	4,489
Depreciation and amortization	52,130	38,726	90,856	3,832	-	94,688
Miscellaneous	1,000	728	1,728	91	-	1,819
Total other functional expenses	<u>770,520</u>	<u>449,288</u>	<u>1,219,808</u>	<u>14,551</u>	<u>-</u>	<u>1,234,359</u>
Total expenses	<u>\$ 1,153,772</u>	<u>\$ 730,053</u>	<u>\$ 1,883,825</u>	<u>\$ 140,838</u>	<u>\$ 30,952</u>	<u>\$ 2,055,615</u>

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b><u>Cash Flows from Operating Activities:</u></b>		
Change in Net Assets	\$ 78,352	\$ 228,834
Adjustments to reconcile change in Net Assets to net cash provided by operating activities:		
Depreciation and amortization	85,275	84,706
Net realized and unrealized gain on investments	(42,590)	(49,811)
(Increase) Decrease in assets:		
Grants and other receivables	(11,389)	46,949
Prepaid expense	(12,379)	9,948
Increase (Decrease) in liabilities:		
Accounts payable	(21,728)	34,186
Accrued payroll and related liabilities	(6,323)	(1,709)
Net Cash Provided by Operating Activities	69,218	353,103
<b><u>Cash Flows from Investing Activities:</u></b>		
Proceeds from sale of securities	77,655	952,271
Purchase of securities	(236,578)	(960,873)
Purchase of property and equipment	(42,629)	(23,034)
Net Cash Used for Investing Activities	(201,552)	(31,636)
Net (Decrease) Increase in Cash and Cash Equivalents	(132,334)	321,467
Cash and Cash Equivalents, Beginning of Year	519,118	197,651
Cash and Cash Equivalents, End of Year	\$ 386,784	\$ 519,118

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**1. NATURE OF OPERATIONS**

Nature of Activities

East Cooper Community Outreach (“ECCO”) is a community supported organization that assists community neighbors in situational and generational poverty with emergency needs with the goal of empowering them to become self-sufficient. Incorporated as a 501(c)(3) organization in 1990, ECCO has developed into an organization to help the underserved and poor living primarily in Charleston County east of the Cooper River through a variety of programs and services directly, and in concert with, other organizations and agencies. Some programs extend to families living in other parts of the Tri-County area of Charleston, Berkeley and Dorchester Counties.

Programs and services are extended to community neighbors at no cost and include but are not limited to disaster relief, emergency financial aid, food and clothing, dental and medical services, access to prescription medications and other types of assistance. Further, ECCO provides education and other programs to empower families and individuals to rise out of poverty. Principal revenues for ECCO are provided by individual donations, church tithes and foundation grants.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accounts of ECCO are maintained, and the consolidated financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The consolidated financial statements of ECCO have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require ECCO to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ECCO. These net assets may be used at the discretion of ECCO’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ECCO or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and activities of Extension Outreach, LLC, a wholly-owned subsidiary of ECCO. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Income Taxes

ECCO is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Financial Accounting Standards Board (“FASB”) provides guidance on ECCO’s evaluation of accounting for uncertainty in income taxes. Management evaluated ECCO’s tax position and concluded that ECCO had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Fiscal years ending on or after June 30, 2015 remain subject to examination by federal tax authorities.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Revenue Recognition

Contributions and grants, which are limited to the use of various ECCO programs or other-directed uses, received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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.

Donated Assets and Services

Donated marketable securities and other such non-cash donations are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the ECCO reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ECCO reclassifies net assets with donor-imposed restrictions to net assets without donor-imposed restrictions at that time. ECCO receives a significant amount of donated services from unpaid volunteers who assist in the operation of ECCO programs and properties. Amounts for volunteer services have not been recognized in the consolidated statements of activities because the criteria for recognition under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, have not been satisfied.

During the years ended June 30, 2019 and 2018, ECCO received \$771,500 and \$501,952, respectively, in donated food to be used by ECCO for distribution to needy members of the communities it serves. During the years ended June 30, 2019 and 2018, ECCO received \$285,799 and \$277,767, respectively, of dental clinic professional services for ECCO's community dental clinic program.

ECCO receives a significant amount of clothing for distribution to needy families in the communities it serves. No financial recognition of these critical goods is reflected in these consolidated financial statements due to the relative limited percentage of such goods that meet the criteria for distribution under ECCO's outreach programs. Management deems any difference between this approach and the approach required by accounting principles generally accepted in the United States of America to be immaterial to the consolidated financial statements as a whole.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, ECCO considers cash and highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants and Other Receivables

Grants and other receivables are stated at unpaid balances less amounts determined by management to be uncollectible. It is ECCO's policy to charge off an uncollectible receivable when management determines the receivable will not be collected based on experience, third-party contacts, and other circumstances. At June 30, 2019 and 2018, no allowance was deemed necessary. ECCO uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific commitments made.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Investments

ECCO follows ASC 958-320, Not-for-Profit Entities, Investments – Debt and Equity Securities. Under ASC 958-320, investments in marketable securities with readily determinable fair values are reported at fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

Property and Equipment and Depreciation

ECCO capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on the items' estimated useful lives ranging from 3 to 39 years. Expenditures for repairs and maintenance are charged as an expense when incurred.

Designation of Net Assets without Donor Restrictions

In 2016, ECCO established a contingency fund for capital improvements of the organization in an initial amount of \$5,000. During 2019 and 2018, the board of directors approved a distribution of \$21,127 and a contribution of \$57,000 to the fund for the years ended June 30, 2019 and 2018, respectively. The balance of the fund at June 30, 2019 and 2018 was \$40,873 and \$62,000, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to programs and supporting services on the basis of time and expense analyses. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ECCO.

Advertising Expenses

ECCO reports advertising costs as incurred. Advertising and marketing expenses for the years ended June 30, 2019 and 2018 were \$30,467 and \$22,682, respectively, and are reported as marketing and public relations expense in the consolidated statements of functional expenses.

Use of Estimates

The preparation of the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America which 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 the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

ECCO's vacation policy allows for up to one week of vacation to be carried over to the following year, but must be used within 90-days of the following year (after an employee's date of hire). All carried-over vacation time must be approved by the Executive Director. Management has not made an accrual for such carry-over time and recognizes such time as incurred. Management deems this approach, versus that recommended by accounting principles generally accepted in the United States of America to be immaterial to the financial statements as a whole.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the consolidated statements of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this Update are effective for fiscal years beginning after December 15, 2019.

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ECCO has adjusted the presentation of these consolidated statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassification

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

**3. CONCENTRATION OF CREDIT RISK**

Cash and Cash Equivalents

The Organization maintains its cash balances at various financial institutions located in the state of South Carolina. These cash funds were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2019 and 2018. At June 30, 2019, ECCO has \$0 of uninsured balances.

Investments

Financial instruments that potentially subject ECCO to concentrations of credit risk consist principally of cash deposits maintained within brokerage accounts. The accounts at the brokerage firm contain cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). SIPC insurance does not protect ECCO from market fluctuations in account value.

**4. FAIR VALUE**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). ECCO groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**4. FAIR VALUE - CONTINUED**

These fair value levels are as follows:

**Level 1** Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

**Level 2** Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

**Level 3** Unobservable inputs that cannot be corroborated by observable market data.

All of ECCO's investments are valued at fair value under Level 1 inputs at June 30, 2019 and 2018. Investments are presented in the consolidated financial statements at fair market value.

**5. INVESTMENTS**

Investments consist of the following at June 30:

	<b>2019</b>		
	<b>Fair Value</b>	<b>Cost</b>	<b>Unrealized Gains</b>
Fixed income	\$ 106,606	\$ 106,606	\$ -
Mutual funds and index shares	973,899	931,467	42,432
	<u>\$ 1,080,505</u>	<u>\$ 1,038,073</u>	<u>\$ 42,432</u>
	<b>2018</b>		
	<b>Fair Value</b>	<b>Cost</b>	<b>Unrealized Gains</b>
Fixed income	\$ 89,908	\$ 89,761	\$ 147
Mutual funds and index shares	789,084	787,374	1,710
	<u>\$ 878,992</u>	<u>\$ 877,135</u>	<u>\$ 1,857</u>

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**5. INVESTMENTS - CONTINUED**

Investment income for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 24,865	\$ 19,641
Unrealized and realized gains, net	42,590	52,125
Investment fees	<u>(4,595)</u>	<u>(4,064)</u>
	<u>\$ 62,860</u>	<u>\$ 67,702</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment, consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land leasehold, net of amortization	\$ 219,917	\$ 226,417
Building	1,233,107	1,233,107
Capital improvements	66,202	46,257
Equipment, furniture and fixtures	335,854	320,979
Dental equipment	256,830	256,830
Vehicles	<u>47,656</u>	<u>47,656</u>
	2,159,566	2,131,246
Accumulated depreciation	<u>(1,016,196)</u>	<u>(945,230)</u>
Net property and equipment	<u>\$ 1,143,370</u>	<u>\$ 1,186,016</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$85,275 and \$94,688, respectively.

In 2003, ECCO occupied their new facilities in Mount Pleasant, South Carolina. The building is owned by ECCO, and was constructed through funds obtained through a capital campaign. The land for the facility is owned by the Diocese of Charleston and provided to ECCO under an annual lease in the amount of \$1. ECCO has recognized the fair market value of this 50-year lease at inception at a value of \$325,000. The value of this lease is amortized to expense on a straight-line basis over the term of the lease.

**7. DONATED MATERIALS AND SERVICES**

Donated materials and equipment, when received, are reflected as contributions in the accompanying consolidated financial statements at their estimated fair market values at date of receipt. Food items collected for distribution to ECCO clients are recorded at their fair market value. The value of donated food at June 30, 2019 and 2018 totaled \$771,500 and \$501,952, respectively. As noted in footnote 2 to the consolidated financial statements, no value is assigned to donated clothing items.



**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**7. DONATED MATERIALS AND SERVICES - CONTINUED**

Donated services consist primarily of professional services in ECCO's dental clinic. These professional services are recognized as contributions – in-kind services in the consolidated statements of activities. The value of donated dental during the years ended June 30, 2019 and 2018 totaled \$278,950 and \$257,600, respectively. The amount recognized is calculated using the number of patients and fee rates of \$328 and \$294 per patient for the years ended June 30, 2019 and 2018, respectively. Other donated services consist of various other professional services totaling \$6,849 and \$20,167 for the years ended June 30, 2019 and 2018, respectively.

Other volunteer services are not recognized as contributions as they do not meet required standards for recognition as provided in accounting principles generally accepted in the United States of America. A substantial number of volunteers donate a significant amount of time to ECCO programs. For the years ended June 30, 2019 and 2018, approximately a value of \$758,618 and \$612,174 was received (based on the Independent Sector's Value of nonprofessional volunteers of \$24.69 and \$24.14 per hour, respectively).

**8. USE OF FACILITIES**

ECCO provides the use of its facilities to certain other nonprofit organizations at no cost to support programs and initiatives that benefit our clients. With several organizations requesting regular or permanent use of space, ECCO has since entered into formal affiliation agreements primarily based on cost sharing arrangements, and will specify the need, as warranted, for such agreements with future entities seeking to use or establish space at our facility.

**9. PENSION PLAN**

ECCO has a 403(b)-retirement plan that substantially covers all full-time employees who have achieved 90-days of employment. ECCO matches 100% of the first 3% of salary deferral elected by each eligible employee. ECCO's contributions to the 403(b) plan for the years ended June 30, 2019 and 2018 were \$6,118 and \$9,387, respectively.

**10. RELATED PARTIES**

During the years ended June 30, 2019 and 2018, employees and board members made contributions of \$224,247 and \$157,161, respectively, to ECCO in support of its programs.

**11. LEASE COMMITMENTS**

During 2018, ECCO entered into a four-year lease agreement for a copier. Monthly payments of \$240 are required under the lease. Future minimum required payments under the lease are as follows at June 30:

2020	\$	2,879
2021		2,879
2022		960
Thereafter		-
Total minimum lease payments	\$	6,718

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**12. RESTRICTED NET ASSETS**

Donor imposed restrictions on net assets are comprised of the following at June 30:

	<b>2019</b>	<b>2018</b>
<b>Subject to purpose restrictions:</b>		
Warehouse improvements	\$ 38,000	\$ -
Dental and health services	25,000	18,750
Client programs and outreach	-	5,000
	63,000	23,750
<b>Subject of passage of time:</b>		
Leasehold use of land	219,917	226,417
	\$ 282,917	\$ 250,167

**13. ENDOWMENT**

In 2001, ECCO established a fund at the Coastal Community Foundation of South Carolina (CCF) for the benefit of the organization as an endowment. ECCO does not currently take any distributions from this fund. In accordance with the terms and operations agreement between ECCO and CCF, as well as ASC 958-605: Revenue Recognition, the principal is the property of the CCF and, accordingly, is not recorded by ECCO. At June 30, 2019 and 2018, the fund had a balance of \$38,729 and \$37,167, respectively.

**14. PRIOR PERIOD ADJUSTMENTS**

Recognition of Investments and Endowment Held by CCF

During the year ended June 30, 2019, ECCO determined that it had been improperly recognizing an endowment in its consolidated financial statements. The endowment funds are held in accordance with an agreement with CCF that defines CCF's ownership of the fund and its benefit for ECCO. Accordingly, the beginning net assets with donor restrictions for the year ended June 30, 2018 were reduced by \$34,833, as well as investments were reduced by \$34,833. ECCO will recognize future contributions received from CCF in the year received.

Recognition of Deferred Revenue

During the year ended June 30, 2019, ECCO determined that it had been improperly recognizing deferred revenue in its consolidated financial statements. Contributions that are received that are restricted by a donor or grantor for time or purpose, should be recognized as revenue in the year of receipt, and presented as net assets with donor restriction (if restricted at the end of the year). Accordingly, ECCO adjusted beginning net assets with donor restrictions by \$55,000 to reflect revenues deferred during the year ended June 30, 2017. Further, for the year ended June 30, 2018, ECCO eliminated deferred revenues of \$43,750 and adjusted contributions with donor restrictions by \$5,000, grants with donor restrictions by \$18,750 and grants without donor restrictions by \$20,000.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**14. PRIOR PERIOD ADJUSTMENTS - CONTINUED**

Recognition of Extension Outreach, LLC Activities

During the year ended June 30, 2019, ECCO determined that the activities of Outreach Extension, LLC were improperly presented as activities with donor restriction. Although Outreach Extension, LLC does receive contributions with donor restrictions, the activities of Outreach Extension, LLC themselves are not restricted for purpose. Accordingly, ECCO has reclassified \$110,568 (net assets of Outreach Extension, LLC at June 30, 2017) of net assets with donor restriction to net assets without donor restrictions at July 1, 2017 to properly reflect the activities of this affiliate.

**15. AVAILABILITY OF FINANCIAL RESOURCES**

The following reflects ECCO's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in board reserves and designations that could be drawn upon if the governing board approves that action.

	<b>2019</b>	<b>2018</b>
<b>Financial assets at year end:</b>		
Cash and cash equivalents	\$ 386,784	\$ 519,118
Grants and other receivables	15,581	4,192
Investments	1,080,505	878,992
	1,482,870	1,402,302
<b>Less those unavailable for general expenditures within one year due to:</b>		
Contractual or donor imposed restrictions:		
Restricted by donor for time or purpose	(282,917)	(250,167)
Board designations:		
Capital reserve	(40,873)	(62,000)
	\$ 1,159,080	\$ 1,090,135

**16. SUBSEQUENT EVENTS**

In accordance with ASC 855, management evaluated subsequent events at June 30, 2019 through October 28, 2019 the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.