

EAST COOPER COMMUNITY OUTREACH
MOUNT PLEASANT, SOUTH CAROLINA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

**EAST COOPER COMMUNITY OUTREACH
TABLE OF CONTENTS
JUNE 30, 2020 AND 2019**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3 - 4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 16

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 statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Charleston, South Carolina
October 26, 2020

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,167,664	\$ 386,784
Grants and other receivables	89,183	15,581
Prepaid expenses	20,023	22,658
	1,276,870	425,023
<u>Non-Current Assets</u>		
Investments	1,084,148	1,080,505
Property and equipment, net	1,234,420	1,143,370
	2,318,568	2,223,875
Total Assets	\$ 3,595,438	\$ 2,648,898
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 61,861	\$ 17,478
Accrued payroll and related liabilities	19,536	7,257
Deferred revenue	35,300	-
Payroll protection program note	162,913	-
	279,610	24,735
Total Liabilities	279,610	24,735
<u>Net Assets</u>		
Without donor restriction		
Undesignated	2,003,380	2,300,373
Designated for operating reserve	430,000	-
Designated for disaster recovery	500,000	-
Designated for capital improvement	90,873	40,873
Total	3,024,253	2,341,246
With donor restriction	291,575	282,917
Total Net Assets	3,315,828	2,624,163
Total Liabilities and Net Assets	\$ 3,595,438	\$ 2,648,898

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	\$ 1,525,560	\$ 40,158	\$ 1,565,718
Contributions - in-kind food	951,193	-	951,193
Contributions - in-kind services	201,801	-	201,801
Special events, (net of direct costs of \$4,149)	28,297	-	28,297
Grants	657,947	-	657,947
Miscellaneous	15,621	-	15,621
Investment income, net	36,714	-	36,714
Total support and revenue	3,417,133	40,158	3,457,291
 Net assets released from restriction	 31,500	 (31,500)	 -
 Total support and revenue and net assets released from restriction	 3,448,633	 8,658	 3,457,291
Expenses			
Program services:			
Community outreach and empowerment	1,912,173	-	1,912,173
Dental and medical services	531,990	-	531,990
Total program services	2,444,163	-	2,444,163
Supporting services:			
Management and general	199,020	-	199,020
Fundraising	122,443	-	122,443
Total supporting services	321,463	-	321,463
 Total expenses	 2,765,626	 -	 2,765,626
 Increase in net assets	 683,007	 8,658	 691,665
 Net Assets at Beginning of Year	 2,341,246	 282,917	 2,624,163
 Net Assets at End of Year	 \$ 3,024,253	 \$ 291,575	 \$ 3,315,828

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**

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
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
Total support and revenue	2,337,008	63,000	2,400,008
 Net assets released from restriction	 <u>30,250</u>	 <u>(30,250)</u>	 <u>-</u>
 Total support and revenue and net assets released from restriction	 <u>2,367,258</u>	 <u>32,750</u>	 <u>2,400,008</u>
Expenses			
Program services:			
Community outreach and empowerment	1,376,725	-	1,376,725
Dental and medical services	695,637	-	695,637
Total program services	2,072,362	-	2,072,362
Supporting services:			
Management and general	169,878	-	169,878
Fundraising	79,416	-	79,416
Total supporting services	249,294	-	249,294
 Total expenses	 <u>2,321,656</u>	 <u>-</u>	 <u>2,321,656</u>
 Increase in net assets	 45,602	 32,750	 78,352
 Net Assets at Beginning of Year	 <u>2,295,644</u>	 <u>250,167</u>	 <u>2,545,811</u>
 Net Assets at End of Year	 <u>\$ 2,341,246</u>	 <u>\$ 282,917</u>	 <u>\$ 2,624,163</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, 2020**

	<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>	
<u>Personnel</u>						
Salaries	\$ 397,581	\$ 142,677	\$ 540,258	\$ 128,368	\$ 76,971	\$ 745,597
Employee benefits	29,498	26,030	55,528	21,281	2,105	78,914
Payroll taxes	28,107	13,859	41,966	11,250	3,425	56,641
Total personnel	<u>455,186</u>	<u>182,566</u>	<u>637,752</u>	<u>160,899</u>	<u>82,501</u>	<u>881,152</u>
<u>Other functional expenses</u>						
Food and clothing assistance	979,241	-	979,241	-	-	979,241
Financial assistance	209,236	-	209,236	-	-	209,236
Out of poverty education	27,529	-	27,529	-	-	27,529
Donated dental and other services	-	182,050	182,050	-	-	182,050
Pharmacy assistance	-	9,704	9,704	-	-	9,704
Other programs	19,555	26,906	46,461	-	-	46,461
Janitorial	10,381	4,498	14,879	1,903	519	17,301
Rent	5,500	-	5,500	-	-	5,500
Repairs and maintenance	23,732	16,479	40,211	3,812	1,040	45,063
Small equipment and software	14,226	5,955	20,181	1,727	253	22,161
Volunteer development	2,371	-	2,371	-	-	2,371
Office supplies and printing	10,207	2,638	12,845	1,117	304	14,266
Insurance	17,691	8,014	25,705	2,687	733	29,125
Professional and consulting services	20,277	35,388	55,665	4,732	-	60,397
Postage	1,345	568	1,913	241	66	2,220
Marketing and public relations	11,593	5,024	16,617	2,125	29,703	48,445
Seminars and workshops	15,087	6,110	21,197	3,290	-	24,487
Dues and subscriptions	858	372	1,230	200	-	1,430
Utilities	30,924	10,255	41,179	4,339	1,183	46,701
Bank fees	102	44	146	19	6,141	6,306
Depreciation and amortization	55,609	34,567	90,176	11,470	-	101,646
Miscellaneous	1,523	852	2,375	459	-	2,834
Total other functional expenses	<u>1,456,987</u>	<u>349,424</u>	<u>1,806,411</u>	<u>38,121</u>	<u>39,942</u>	<u>1,884,474</u>
Total expenses	<u>\$ 1,912,173</u>	<u>\$ 531,990</u>	<u>\$ 2,444,163</u>	<u>\$ 199,020</u>	<u>\$ 122,443</u>	<u>\$ 2,765,626</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>	
<u>Personnel</u>						
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>
<u>Other functional expenses</u>						
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 691,665	\$ 78,352
Adjustments to reconcile change in Net Assets to net cash provided by operating activities:		
Depreciation and amortization	101,646	85,275
Net realized and unrealized gain on investments	(15,883)	(42,590)
(Increase) Decrease in assets:		
Grants and other receivables	(73,602)	(11,389)
Prepaid expense	2,635	(12,379)
Increase (Decrease) in liabilities:		
Accounts payable	44,383	(21,728)
Deferred revenue	35,300	-
Accrued payroll and related liabilities	12,279	(6,323)
Net Cash Provided by Operating Activities	798,423	69,218
<u>Cash Flows from Investing Activities:</u>		
Proceeds from sale of securities	77,096	77,655
Purchase of securities	(64,856)	(236,578)
Purchase of property and equipment	(192,696)	(42,629)
Net Cash Used for Investing Activities	(180,456)	(201,552)
<u>Cash Flows from Financing Activities</u>		
Proceeds from paycheck protection program note	162,913	-
Net Provided by Financing Activities	162,913	-
Net Increase (Decrease) in Cash and Cash Equivalents	780,880	(132,334)
Cash and Cash Equivalents, Beginning of Year	386,784	519,118
Cash and Cash Equivalents, End of Year	\$ 1,167,664	\$ 386,784

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

1. NATURE OF OPERATIONS

Nature of Activities

East Cooper Community Outreach (“ECCO”) is a community-supported organization that provides comprehensive wrap-around safety net services to local families experiencing situational or generational poverty. What began as an emergency relief effort in the aftermath of Hurricane Hugo, has developed into an essential service in the community providing help and hope through a variety of programs and services and an extensive referral network.

Incorporated as a 501(c)(3) organization in 1990, ECCO has recently celebrated its 30th Anniversary as the only human services organization of its kind in Mount Pleasant, SC. ECCO primarily serves clients who live and/or work East of the Cooper River but some programs extend to individuals and families living in other parts of the Tri-County area of Charleston, Berkeley and Dorchester Counties. ECCO’s client-centered direct services interrupt the fear that hampers individuals’ progress to well-being, focusing on empowering a new level of health and wellness, improved quality of life, and economic stability.

Programs and services are extended to community neighbors at no cost and include but are not limited to emergency financial assistance, food and clothing, dental and medical services, prescription assistance, disaster relief, and various types of one-on-one support and referrals. Further, ECCO provides guidance and resources designed to support individuals who are facing a wide range of life’s challenges with limited financial resources. Principal revenues for ECCO are provided by individual donations, business support, civic organizations, 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 Outreach Extension, LLC, a wholly-owned subsidiary of ECCO. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2016 remain subject to examination by federal tax authorities.

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, 2020 and 2019, ECCO received \$951,193 and \$771,500, 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, 2020 and 2019, ECCO received \$201,801 and \$285,799, respectively, of other professional services.

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.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2020 and 2019, 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.

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 \$1,500. 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 2020 and 2019, the board of directors approved a contribution of \$50,000 and a distribution of \$21,127 to the fund for the years ended June 30, 2020 and 2019, respectively. The balance of the fund at June 30, 2020 and 2019 was \$90,873 and \$40,873, 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, 2020 and 2019 were \$48,445 and \$30,467, 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.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

In November 2019, the Board issued Accounting Standards Update No. 2019-10, Financial Instruments— Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. The amendments in Update 2019-10 deferred the effective dates for Leases for entities in the "all other" category by an additional year. Therefore, Leases was to be effective for all other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted. The deferrals responded to feedback from stakeholders and the Board's monitoring of the implementation of major Updates, which provided a greater understanding of the implementation challenges encountered by all types of entities when adopting a major Update.

In June 2020, the FASB issued Accounting Standards Update No. 2020-05, Financial Instruments— Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for certain entities. The amendments in Update 2020-05 further deferred the effective dates for Leases for entities in the "all other" category by an additional year. Therefore, Leases will be effective for all other entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted.

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, 2020 and 2019. At June 30, 2020, ECCO has \$365,924 of uninsured balances.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

3. CONCENTRATION OF CREDIT RISK - CONTINUED

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.

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, 2020 and 2019. Investments are presented in the consolidated financial statements at fair market value.

5. INVESTMENTS

Investments consist of the following at June 30:

	2020		
	Fair Value	Cost	Unrealized Gains
Cash	\$ 70,851	\$ 70,851	\$ -
Equities	844,598	783,446	61,152
Mutual funds and index shares	168,699	166,090	2,609
	<u>\$ 1,084,148</u>	<u>\$ 1,020,387</u>	<u>\$ 63,761</u>

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

5. INVESTMENTS - CONTINUED

	2019		
	Fair Value	Cost	Unrealized Gains
Cash	\$ 106,606	\$ 106,606	\$ -
Equities	809,394	770,077	39,317
Mutual funds and index shares	164,505	161,390	3,115
	\$ 1,080,505	\$ 1,038,073	\$ 42,432

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

	2020	2019
Dividends and interest	\$ 26,127	\$ 24,865
Unrealized and realized gains, net	15,883	42,590
Investment fees	(5,296)	(4,595)
Investment income, net	\$ 36,714	\$ 62,860

6. PROPERTY AND EQUIPMENT

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

	2020	2019
Land leasehold, net of amortization	\$ 213,417	\$ 219,917
Building	1,233,108	1,233,107
Capital improvements	109,588	66,202
Equipment, furniture and fixtures	357,456	335,854
Dental equipment	254,654	256,830
Vehicles	47,656	47,656
	2,215,879	2,159,566
Accumulated depreciation	(981,459)	(1,016,196)
Net property and equipment	\$ 1,234,420	\$ 1,143,370

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$101,646 and \$85,275, 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.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 and 2019 totaled \$951,193 and \$771,500, respectively. As noted in footnote 2 to the consolidated financial statements, no value is assigned to donated clothing items.

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, 2020 and 2019 totaled \$182,050 and \$278,950, respectively. The amount recognized is calculated using the number of patients and fee rates of \$274 and \$328 per patient for the years ended June 30, 2020 and 2019, respectively. Other donated services consist of various other professional services totaling \$16,970 and \$6,849 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, approximately a value of \$743,574 and \$758,618 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 non-profit organizations at no cost to support programs and initiatives that benefit ECCO's clients. Memorandums of Understanding are established with such groups outlining expectations and shared responsibilities for both parties. Similar agreements will be established with any entities seeking to use or establish space at the ECCO 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, 2020 and 2019 were \$8,445 and \$6,118, respectively.

10. RELATED PARTIES

During the years ended June 30, 2020 and 2019, employees and board members made contributions of \$222,004 and \$224,247, respectively, to ECCO in support of its programs.

11. 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, 2020 and 2019, the fund had a balance of \$38,972 and \$38,729, respectively.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

12. 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:

2021	2,879
2022	960
Thereafter	<u>-</u>
Total minimum lease payments	<u><u>\$ 3,839</u></u>

13. RESTRICTED NET ASSETS

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

	2020	2019
Subject to purpose restrictions:		
Warehouse improvements	\$ 58,000	\$ 38,000
Dental and health services	-	25,000
Dental equipment	20,158	-
	<u>78,158</u>	<u>63,000</u>
Subject of passage of time:		
Leasehold use of land	<u>213,417</u>	<u>219,917</u>
	<u><u>\$ 291,575</u></u>	<u><u>\$ 282,917</u></u>

14. PAYCHECK PROTECTION PROGRAM NOTE

On April 17, 2020, ECCO was issued a note with Pinnacle Bank through the Small Business Administration and the Paycheck Protection Program. The note bears interest of 1% and matures in April 2022. The note has a balance of \$162,913 at June 30, 2020 and must be used for payroll costs, employee benefits, mortgage payments, rent, utilities and interest on obligations. ECCO intends to use the proceeds for qualifying expenses. Under the Paycheck Protection Program, certain amounts, up to the entire loan balance, may be forgiven under the terms of the loan. ECCO anticipates the loan will be fully forgiven in 2021 and accordingly has presented the note as a current liability.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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.

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 1,167,664	\$ 386,784
Grants and other receivables	89,183	15,581
Investments	1,084,148	1,080,505
	2,340,995	1,482,870
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor for time or purpose	(291,575)	(282,917)
Board designations:		
Operating reserve	(430,000)	-
Disaster recovery	(500,000)	-
Capital reserve	(90,873)	(40,873)
	\$ 1,028,547	\$ 1,159,080

16. SUBSEQUENT EVENTS

In accordance with ASC 855, management evaluated subsequent events at June 30, 2020 through October 26, 2020 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 except those presented below.

Global Pandemic

On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, the President of the United States declared a national emergency relating to the disease.

In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures are designed to protect the overall public health, however are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession.

As a result of COVID-19, there has been heightened market risk and volatility associated with the pandemic, and this could materially affect ECCO's operations and its level of community support. Because of the uncertainty of the markets during this time, management is unable to estimate the total impact the pandemic will have.