

EAST COOPER COMMUNITY OUTREACH
MOUNT PLEASANT, SOUTH CAROLINA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**EAST COOPER COMMUNITY OUTREACH
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JUNE 30, 2021 AND 2020**

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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, 2021 and 2020, 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, 2021 and 2020, 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 21, 2021

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,335,904	\$ 1,167,664
Grants and other receivables	11,811	89,183
Prepaid expenses	37,425	20,023
	1,385,140	1,276,870
<u>Non-Current Assets</u>		
Investments	1,348,605	1,084,148
Property and equipment, net	1,329,452	1,234,420
	2,678,057	2,318,568
Total Assets	\$ 4,063,197	\$ 3,595,438
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 49,115	\$ 61,861
Accrued payroll and related liabilities	10,889	19,536
Deferred revenue	100,000	35,300
Payroll protection program note	-	162,913
	160,004	279,610
Total Liabilities	160,004	279,610
<u>Net Assets</u>		
Without donor restriction		
Undesignated	2,207,403	2,003,380
Designated for operating reserve	848,000	430,000
Designated for disaster recovery	500,000	500,000
Designated for capital improvement	140,873	90,873
Total	3,696,276	3,024,253
With donor restriction	206,917	291,575
Total Net Assets	3,903,193	3,315,828
Total Liabilities and Net Assets	\$ 4,063,197	\$ 3,595,438

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,785,935	\$ -	\$ 1,785,935
Contributions - in-kind food	1,356,567	-	1,356,567
Contributions - in-kind services	185,300	-	185,300
Special events, (net of direct costs of \$68,523)	123,787	-	123,787
Grants	617,963	-	617,963
Federal financial assistance - PPP	162,913	-	162,913
Miscellaneous	6,161	-	6,161
Investment income, net	221,409	-	221,409
Total support and revenue	<u>4,460,035</u>	<u>-</u>	<u>4,460,035</u>
Net assets released from restriction	<u>84,658</u>	<u>(84,658)</u>	<u>-</u>
Total support and revenue and net assets released from restriction	<u>4,544,693</u>	<u>(84,658)</u>	<u>4,460,035</u>
Expenses			
Program services:			
Community outreach and empowerment	2,879,345	-	2,879,345
Dental and medical services	603,882	-	603,882
Total program services	<u>3,483,227</u>	<u>-</u>	<u>3,483,227</u>
Supporting services:			
Management and general	261,815	-	261,815
Fundraising	127,628	-	127,628
Total supporting services	<u>389,443</u>	<u>-</u>	<u>389,443</u>
Total expenses	<u>3,872,670</u>	<u>-</u>	<u>3,872,670</u>
Increase (decrease) in net assets	672,023	(84,658)	587,365
Net Assets at Beginning of Year	<u>3,024,253</u>	<u>291,575</u>	<u>3,315,828</u>
Net Assets at End of Year	<u>\$ 3,696,276</u>	<u>\$ 206,917</u>	<u>\$ 3,903,193</u>

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 \$4,49)	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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	<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	\$ 458,683	\$ 130,172	\$ 588,855	\$ 157,074	\$ 100,262	\$ 846,191
Employee benefits	35,735	29,137	64,872	7,081	787	72,740
Payroll taxes	43,010	17,656	60,666	7,286	810	68,762
Total personnel	<u>537,428</u>	<u>176,965</u>	<u>714,393</u>	<u>171,441</u>	<u>101,859</u>	<u>987,693</u>
<u>Other functional expenses</u>						
Food and clothing assistance	1,392,587	-	1,392,587	-	-	1,392,587
Financial assistance	589,180	-	589,180	2,300	-	591,480
Donated dental and other services	6,720	172,562	179,282	560	-	179,842
Pharmacy assistance	-	78,330	78,330	-	-	78,330
Other programs	82,853	30,594	113,447	-	-	113,447
Janitorial	8,779	3,804	12,583	1,610	439	14,632
Rent	22,551	-	22,551	-	-	22,551
Repairs and maintenance	16,115	10,668	26,783	2,734	746	30,263
Small equipment and software	26,053	8,897	34,950	1,548	422	36,920
Volunteer development	1,931	-	1,931	-	-	1,931
Office supplies and printing	17,576	5,400	22,976	2,284	623	25,883
Insurance	19,201	9,512	28,713	2,963	808	32,484
Professional and consulting services	12,249	36,295	48,544	43,591	21,326	113,461
Postage	2,871	1,152	4,023	487	133	4,643
Marketing and public relations	26,327	11,408	37,735	6,143	-	43,878
Seminars and workshops	13,563	5,593	19,156	3,011	-	22,167
Dues and subscriptions	1,799	763	2,562	4,068	-	6,630
Utilities	34,247	11,022	45,269	4,663	1,272	51,204
Bank fees	8,766	3,799	12,565	2,045	-	14,610
Depreciation and amortization	58,212	36,972	95,184	12,300	-	107,484
Miscellaneous	337	146	483	67	-	550
Total other functional expenses	<u>2,341,917</u>	<u>426,917</u>	<u>2,768,834</u>	<u>90,374</u>	<u>25,769</u>	<u>2,884,977</u>
Total expenses	<u>\$ 2,879,345</u>	<u>\$ 603,882</u>	<u>\$ 3,483,227</u>	<u>\$ 261,815</u>	<u>\$ 127,628</u>	<u>\$ 3,872,670</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**

	Program Services			Supporting Services		Total
	Outreach and Empowerment	Dental and Medical	Total Program Services	General and Administrative	Fundraising	
<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	455,186	182,566	637,752	160,899	82,501	881,152
<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	1,456,987	349,424	1,806,411	38,121	39,942	1,884,474
Total expenses	\$ 1,912,173	\$ 531,990	\$ 2,444,163	\$ 199,020	\$ 122,443	\$ 2,765,626

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, 2021 AND 2020**

	2021	2020
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 587,365	\$ 691,665
Adjustments to reconcile change in Net Assets to net cash provided by operating activities:		
Depreciation and amortization	107,484	101,646
Net realized and unrealized gain on investments	(204,965)	(15,883)
Forgiveness of PPP loan	(162,913)	-
(Increase) Decrease in assets:		
Grants and other receivables	77,372	(73,602)
Prepaid expense	(17,402)	2,635
Increase (Decrease) in liabilities:		
Accounts payable	(12,746)	44,383
Deferred revenue	64,700	35,300
Accrued payroll and related liabilities	(8,647)	12,279
Net Cash Provided by Operating Activities	430,248	798,423
<u>Cash Flows from Investing Activities:</u>		
Proceeds from sale of securities	121,647	77,096
Purchase of securities	(181,139)	(64,856)
Purchase of property and equipment	(202,516)	(192,696)
Net Cash Used for Investing Activities	(262,008)	(180,456)
<u>Cash Flows from Financing Activities</u>		
Proceeds from paycheck protection program note	-	162,913
Net Provided by Financing Activities	-	162,913
Net Increase in Cash and Cash Equivalents	168,240	780,880
Cash and Cash Equivalents, Beginning of Year	1,167,664	386,784
Cash and Cash Equivalents, End of Year	\$ 1,335,904	\$ 1,167,664

See accompanying notes to the consolidated financial statements.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

1. NATURE OF OPERATIONS

Nature of Activities

East Cooper Community Outreach (“ECCO”) is a community-supported organization that provides assistance, guidance, and resources to help our neighbors navigate life’s challenges. Founded over three decades ago on the principle of neighbors helping neighbors, the organization has never wavered from this foundational tenet. What began as an emergency relief effort in the aftermath of Hurricane Hugo, has developed into a permanent resource in the community providing help and hope to our neighbors in their time of need. This is done through a variety of essential services, one-on-one coaching, and an extensive referral network.

Incorporated as a 501(c)(3) organization in 1990, ECCO is uniquely positioned in the area as one of only a few agencies in the greater Charleston region that provides comprehensive wrap-around support services and programs to low-income households. All of ECCO’s essential services are available to those who live or work East of the Cooper River and meet ECCO’s income eligibility guidelines. ECCO’s income eligibility is based 250% of the Federal Poverty Guidelines. All essential services are provided to community members at no cost and include but are not limited to food and clothing, dental and medical services, prescription assistance, financial assistance, disaster relief, and various seasonal initiatives. Further, ECCO provides guidance and resources designed to support individuals who are facing a wide range of life’s challenges with limited financial resources.

Additionally, ECCO’s health services (medical, dental, and Rx Assistance) are available to uninsured adult residents of the Tri-County and the Asset Development Program (ADP) is open to residents of the Tri-County area. Participants of these programs must also must meet ECCO’s income eligibility guidelines.

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. 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.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Board designated:

Operating reserve - The balance should be approximately 120 days of budgeted operational expenditures.

Disaster recovery - ECCO was originally established as a direct result of Hurricane Hugo. In the spirit of the founding of the organization the board intends to have available funds to aid in the recovery of future disasters.

Capital improvement - The purpose of the fund is intended for larger capital outlay expenditures. This fund should be used in coordination with a replacement reserve study.

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.

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, 2018 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.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2021 and 2020, ECCO received \$1,356,567 and \$951,193, respectively, in donated food to be used by ECCO for distribution to low-income members of the communities it serves. During the years ended June 30, 2021 and 2020, ECCO received \$185,300 and \$201,801, respectively, of other professional services.

ECCO receives a significant amount of clothing for distribution to low-income 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, 2021 and 2020, 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 2021 and 2020, the board of directors approved a contribution of \$50,000 and \$50,000 and a distribution of \$0 and \$21,127 to the fund for the years ended June 30, 2021 and 2020, respectively. The balance of the fund at June 30, 2021 and 2020 was \$140,873 and \$90,873, respectively.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2021 and 2020 were \$43,878 and \$48,445, 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.

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.

**EAST COOPER COMMUNITY OUTREACH AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2021 and 2020. At June 30, 2021, ECCO has \$7,973 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.

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, 2021 and 2020. Investments are presented in the consolidated financial statements at fair market value.

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5. INVESTMENTS

Investments consist of the following at June 30:

	2021		
	Fair Value	Cost	Unrealized Gains
Cash	\$ 127,308	\$ 127,308	\$ -
Equities	684,647	468,999	215,648
Mutual funds and index shares	536,650	499,397	37,253
	<u>\$ 1,348,605</u>	<u>\$ 1,095,704</u>	<u>\$ 252,901</u>
	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>

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

	2021	2020
Dividends and interest	\$ 22,423	\$ 26,127
Unrealized and realized gains, net	204,965	15,883
Investment fees	(5,979)	(5,296)
Investment income, net	<u>\$ 221,409</u>	<u>\$ 36,714</u>

6. 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 or at the satellite facility on Bowman Road.

7. REVOLVING LINE OF CREDIT

In October 2020, ECCO obtained an unsecured revolving line of credit of \$50,000 at Finemark National Bank & Trust. Minimum monthly interest payments are computed based on average daily balance, including interest at the lender's prime rate. All outstanding principal and unpaid interest is due and payable on October 28, 2021. The line of credit had no outstanding balance at June 30, 2021 and 2020.

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8. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land leasehold, net of amortization	\$ 206,917	\$ 213,417
Building	1,233,108	1,233,108
Capital improvements	264,773	109,588
Equipment, furniture and fixtures	326,208	357,456
Dental equipment	285,688	254,654
Vehicles	47,656	47,656
	<u>2,364,350</u>	<u>2,215,879</u>
Accumulated depreciation	<u>(1,034,898)</u>	<u>(981,459)</u>
Net property and equipment	<u>\$ 1,329,452</u>	<u>\$ 1,234,420</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$107,484 and \$101,646, 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.

9. 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, 2021 and 2020 totaled \$1,356,567 and \$951,193, 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, 2021 and 2020 totaled \$52,350 and \$182,050, respectively. The amount recognized is calculated using the number of patients and fee rates of \$79 and \$274 per patient for the years ended June 30, 2020 and 2019, respectively. The value of donated medical professionals during the years ended June 30, 2021 and 2020 totaled \$117,300 and \$0, respectively. Other donated services consist of various other professional and repair services totaling \$11,200 and \$16,970 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, approximately a value of \$481,778 and \$743,574 was received (based on the Independent Sector's Value of nonprofessional volunteers of \$28.54 and \$24.69 per hour, respectively).

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10. 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, 2021 and 2020 were \$12,036 and \$8,445, respectively.

11. RELATED PARTIES

During the years ended June 30, 2021 and 2020, employees and board members made contributions of \$572,306 and \$222,004, respectively, to ECCO in support of its programs.

12. 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, 2021 and 2020, the fund had a balance of \$51,743 and \$38,972, respectively.

13. LEASE COMMITMENTS

ECCO entered into a lease agreement for a satellite facility in March 2021. The lease is for three years and expires March 31, 2024. The monthly rent payments under this agreement are \$6,330, increasing 3% annually. ECCO also leases equipment under an operating lease with payments of \$240 due monthly. Future minimum required payments under the lease are as follows at June 30:

2022	\$	64,362
2023		78,809
2024		60,388
Total minimum lease payments	\$	203,559

14. RESTRICTED NET ASSETS

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

	2021		2020
Subject to purpose restrictions:			
Warehouse improvements	\$ -	\$	58,000
Dental equipment	-		20,158
	-		78,158
Subject of passage of time:			
Leasehold use of land	206,917		213,417
	\$ 206,917	\$	291,575

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15. PAYCHECK PROTECTION PROGRAM NOTE

On April 17, 2020, ECCO received a \$162,913 Payroll Protection Program (“PPP”) loan from the US Small Business Administration (“SBA”) through a commercial lender. The loan is forgivable under expanding terms if ECCO is able to retain employees and expend funds under the criteria of the PPP. ECCO will not be required to repay any of the \$162,913 PPP funds as it complied with and received approval for forgiveness.

In accordance with generally accepted accounting principles in the United States of America (US GAAP), an organization can elect to treat a PPP note as federal financial assistance if it is probable, it will meet the PPP forgiveness criteria at the time of note issuance or during the term of the related note. Accordingly, ECCO has treated the forgiveness as federal financial assistance, and not gain on forgiveness of debt under US GAAP. Further, ECCO presented such federal financial assistance in the operating section of the statements of cash flows versus the financing section under these standards.

16. 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.

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,335,904	\$ 1,167,664
Grants and other receivables	11,811	89,183
Investments	1,348,605	1,084,148
	2,696,320	2,340,995
Less those unavailable for general expenditures within one year due to:		
Contractual or donor imposed restrictions:		
Restricted by donor for time or purpose	(206,917)	(291,575)
Board designations:		
Operating reserve	(848,000)	(430,000)
Disaster recovery	(500,000)	(500,000)
Capital reserve	(140,873)	(90,873)
	\$ 1,000,530	\$ 1,028,547

17. SUBSEQUENT EVENTS

In accordance with ASC 855, management evaluated subsequent events at June 30, 2021 through October 21, 2021 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.