

**Epiphany Community Health
Outreach Services, Inc.**

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2020 and 2019

Epiphany Community Health Outreach Services, Inc.

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Independent Auditors' Report

To the Board of Directors of
Epiphany Community Health Outreach Services, Inc.:

We have audited the accompanying financial statements of Epiphany Community Health Outreach Services, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility – Our responsibility is to express an opinion on these 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 our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Epiphany Community Health Outreach Services, Inc. as of December 31, 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.

Blazek & Vetterling

May 21, 2021

Epiphany Community Health Outreach Services, Inc.

Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,193,121	\$ 367,086
Contributions receivable	42,919	
Prepaid and other assets	6,398	21,500
Property and equipment, net (<i>Note 3</i>)	<u>39,701</u>	<u>18,226</u>
TOTAL ASSETS	<u>\$ 1,282,139</u>	<u>\$ 406,812</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,170	\$ 8,777
Accrued payroll expenses	10,726	4,445
Federal Paycheck Protection Program advance (<i>Note 2</i>)	70,365	
Other refundable advance		<u>20,343</u>
Total liabilities	<u>87,261</u>	<u>33,565</u>
Net assets:		
Without donor restrictions	760,369	234,354
With donor restrictions (<i>Note 4</i>)	<u>434,509</u>	<u>138,893</u>
Total net assets	<u>1,194,878</u>	<u>373,247</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,282,139</u>	<u>\$ 406,812</u>

See accompanying notes to financial statements.

Epiphany Community Health Outreach Services, Inc.

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 835,451	\$ 1,238,953	\$ 2,074,404
In-kind contributions (<i>Note 5</i>)	718,863		718,863
Other income	<u>39,052</u>	<u> </u>	<u>39,052</u>
Total revenue	1,593,366	1,238,953	2,832,319
Net assets released from restrictions:			
Program expenditures	<u>943,337</u>	<u>(943,337)</u>	<u> </u>
Total	<u>2,536,703</u>	<u>295,616</u>	<u>2,832,319</u>
EXPENSES:			
Program services:			
Direct client services	1,651,533		1,651,533
Benefits application assistance	170,461		170,461
Other services	<u>30,975</u>	<u> </u>	<u>30,975</u>
Total program services	1,852,969		1,852,969
Management and general	114,515		114,515
Fundraising	<u>43,204</u>	<u> </u>	<u>43,204</u>
Total expenses	<u>2,010,688</u>	<u> </u>	<u>2,010,688</u>
CHANGES IN NET ASSETS	526,015	295,616	821,631
Net assets, beginning of year	<u>234,354</u>	<u>138,893</u>	<u>373,247</u>
Net assets, end of year	<u>\$ 760,369</u>	<u>\$ 434,509</u>	<u>\$ 1,194,878</u>

See accompanying notes to financial statements.

Epiphany Community Health Outreach Services, Inc.

Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 179,018	\$ 198,282	\$ 377,300
In-kind contributions (<i>Note 5</i>)	1,155,086		1,155,086
Special events	81,713		81,713
Direct donor benefits	(25,115)		(25,115)
Other income	<u>14,402</u>	<u> </u>	<u>14,402</u>
Total revenue	1,405,104	198,282	1,603,386
Net assets released from restrictions:			
Program expenditures	<u>536,946</u>	<u>(536,946)</u>	<u> </u>
Total	<u>1,942,050</u>	<u>(338,664)</u>	<u>1,603,386</u>
EXPENSES:			
Program services:			
Direct client services	1,479,743		1,479,743
Benefits application assistance	297,155		297,155
Other services	<u>24,821</u>	<u> </u>	<u>24,821</u>
Total program services	1,801,719		1,801,719
Management and general	115,576		115,576
Fundraising	<u>56,296</u>	<u> </u>	<u>56,296</u>
Total expenses	<u>1,973,591</u>	<u> </u>	<u>1,973,591</u>
CHANGES IN NET ASSETS	(31,541)	(338,664)	(370,205)
Net assets, beginning of year	<u>265,895</u>	<u>477,557</u>	<u>743,452</u>
Net assets, end of year	<u>\$ 234,354</u>	<u>\$ 138,893</u>	<u>\$ 373,247</u>

See accompanying notes to financial statements.

Epiphany Community Health Outreach Services, Inc.

Statement of Functional Expenses for the year ended December 31, 2020

<u>EXPENSES</u>	<u>DIRECT CLIENT SERVICES</u>	<u>BENEFITS APPLICATION ASSISTANCE</u>	<u>OTHER SERVICES</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance:							
In-kind food distribution	\$ 678,793			\$ 678,793			\$ 678,793
Other direct assistance	<u>635,183</u>		\$ 476	<u>635,659</u>			<u>635,659</u>
Total direct assistance	1,313,976		476	1,314,452			1,314,452
Salaries and related benefits	228,609	\$ 121,962	18,774	369,345	\$ 43,063	\$ 19,099	431,507
Professional services	37,865	11,282	1,551	50,698	55,819	9,761	116,278
Occupancy	29,806	15,935	2,453	48,194	5,626	2,490	56,310
Equipment and software	19,471	13,088	5,464	38,023	1,723	3,492	43,238
Printing, postage and supplies	10,753	2,773	341	13,867	3,080	6,018	22,965
Telephone and internet	5,340	2,508	386	8,234	885	392	9,511
Depreciation	2,491	1,332	205	4,028	470	208	4,706
Other	<u>3,222</u>	<u>1,581</u>	<u>1,325</u>	<u>6,128</u>	<u>3,849</u>	<u>1,744</u>	<u>11,721</u>
Total expenses	<u>\$ 1,651,533</u>	<u>\$ 170,461</u>	<u>\$ 30,975</u>	<u>\$ 1,852,969</u>	<u>\$ 114,515</u>	<u>\$ 43,204</u>	<u>\$ 2,010,688</u>

See accompanying notes to financial statements.

Epiphany Community Health Outreach Services, Inc.

Statement of Functional Expenses for the year ended December 31, 2019

<u>EXPENSES</u>	<u>DIRECT CLIENT SERVICES</u>	<u>BENEFITS APPLICATION ASSISTANCE</u>	<u>OTHER SERVICES</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Direct assistance:							
In-kind food distribution	\$ 1,097,366			\$ 1,097,366			\$ 1,097,366
Hurricane Harvey direct assistance	178,971			178,971			178,971
Other direct assistance	<u>85,690</u>			<u>85,690</u>			<u>85,690</u>
Total direct assistance	1,362,027			1,362,027			1,362,027
Salaries and related benefits	82,459	\$ 207,693	\$ 14,655	304,807	\$ 31,828	\$ 23,785	360,420
Professional services	12,542	32,531	1,256	46,329	71,645	14,773	132,747
Occupancy	13,530	34,078	2,398	50,006	5,222	3,902	59,130
Equipment and software	2,429	9,208	1,780	13,417	1,447	4,269	19,133
Printing, postage and supplies	2,553	4,337	2,651	9,541	897	4,790	15,228
Telephone and internet	1,822	4,590	323	6,735	703	526	7,964
Depreciation	1,003	2,527	178	3,708	387	290	4,385
Other	<u>1,378</u>	<u>2,191</u>	<u>1,580</u>	<u>5,149</u>	<u>3,447</u>	<u>3,961</u>	<u>12,557</u>
Total expenses	<u>\$ 1,479,743</u>	<u>\$ 297,155</u>	<u>\$ 24,821</u>	<u>\$ 1,801,719</u>	<u>\$ 115,576</u>	<u>\$ 56,296</u>	1,973,591
Direct donor benefits							<u>25,115</u>
Total							<u>\$ 1,998,706</u>

See accompanying notes to financial statements.

Epiphany Community Health Outreach Services, Inc.

Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 821,631	\$ (370,205)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	4,706	4,385
Changes in operating assets and liabilities:		
Contributions receivable	(42,919)	175,000
Prepaid and other assets	15,102	(3,204)
Accounts payable and accrued expenses	3,674	(3,816)
Federal Paycheck Protection Program advance	70,365	
Other refundable advance	<u>(20,343)</u>	<u>20,343</u>
Net cash provided (used) by operating activities	<u>852,216</u>	<u>(177,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(26,181)</u>	<u>(8,386)</u>
NET CHANGE IN CASH	826,035	(185,883)
Cash, beginning of year	<u>367,086</u>	<u>552,969</u>
Cash, end of year	<u>\$ 1,193,121</u>	<u>\$ 367,086</u>

See accompanying notes to financial statements.

Epiphany Community Health Outreach Services, Inc.

Notes to Financial Statements for the years ended December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Epiphany Community Health Outreach Services, Inc. (ECHOS) was formed on April 2, 2001 as a Texas nonprofit corporation and is an institution of the Episcopal Diocese of Texas. In response to the dramatic change in southwest Houston’s demographics, the parishioners of the Episcopal Church of the Epiphany (the Church) established ECHOS. ECHOS’ mission is to connect people in need with health, social, and educational resources that can improve their lives.

ECHOS helps families access healthcare services and benefits coverage. ECHOS partners with healthcare providers to provide direct services to ECHOS’ clients and to research healthcare issues in a medically and socially vulnerable community. ECHOS’ food pantry continues to provide non-perishable food to an increasing number of people who are impoverished and in need of assistance accessing healthcare, food, educational, and other social services. Other forms of assistance include financial assistance, disaster recovery assistance, and Medicaid, Harris Health FAP (Gold Card) and other benefit application assistance.

Federal income tax status – ECHOS is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a religious organization under §170(b)(i)(A)(i) under the group exemption of the Protestant Episcopal Church in the United States of America.

Cash and cash equivalents include demand deposits, cash on hand, and highly liquid financial instruments with original maturities of three months or less. At times, demand deposits exceed the federally insured limit per depositor per institution.

Contributions receivable expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. At December 31, 2020, contributions receivable are due to be paid within one year.

Property and equipment is reported at cost if purchased or at fair value at the date of gift if donated. Generally, acquisitions of property and equipment in excess of \$7,500 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 10 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as with donor restrictions. Conditional contributions are subject to one or more barriers that must be overcome before ECHOS is entitled to receive or retain funding. Conditional contributions are recognized as revenue at

fair value when the conditions have been met. A portion of ECHO's revenue is derived from cost-reimbursable federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when ECHOS has incurred expenditures in compliance with specific grant provisions. At December 31, 2020, ECHOS has cost-reimbursable conditional grants of approximately \$157,000 that have not been recognized and will be recognized when the conditions are met. At December 31, 2019, ECHOS had conditional grants of approximately \$16,700, which have been recognized as revenue in the year ended December 31, 2020. Funding received before conditions are met is reported as refundable advances. Approximately 34% of contributions are from two donors in 2020. Approximately 32% of contributions are from two donors in 2019.

In-kind contributions – Donated materials, use of facilities and services are recognized as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or the services are received. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recognized in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Special events – Contributions and ticket sales represent the amounts paid by donors, sponsors, and attendees of a fundraising event. Ticket sales include elements of both contributions and exchange transactions and are recognized when an event occurs. Direct donor benefits provided represents the costs of goods and services provided to event attendees.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Shared overhead costs including depreciation, occupancy, telephone and internet, equipment and software are allocated based on time allocations.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets of \$1,236,040 and \$367,086 are available to meet cash needs for general expenditures within one year at December 31, 2020 and 2019, respectively. ECHOS expects to fund the remainder of the next year's general expenditures with future contributions.

For purposes of analyzing resources available to meet general expenditure over a 12-month period, ECHOS considers all expenditures related to its ongoing activities of connecting people in need with health, social, and educational resources, as well as the conduct of services undertaken to support those activities, to be general expenditures.

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. The need for ECHOS' services has increased in response to the pandemic and additional contributions have been received to assist with funding these needs. However, in-kind food donations were decreased in the 2020 year due to COVID-19 restrictions which limited ECHOS' ability to distribute food to one day per week. The full impact of COVID-19 on ECHOS' operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on those served, donors, employees, and vendors, all are uncertain and cannot be predicted.

ECHOS received \$70,365 through the Small Business Administration's Paycheck Protection Program (PPP) in April 2020. The loan was forgiven in February 2021 and will be recognized as contribution revenue in fiscal year 2021.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 70,729	\$ 70,729
Furniture and fixtures	19,068	19,068
Construction in progress – leasehold improvements	<u>26,182</u>	<u> </u>
Total property, at cost	115,979	89,797
Accumulated depreciation	<u>(76,278)</u>	<u>(71,571)</u>
Property and equipment, net	<u>\$ 39,701</u>	<u>\$ 18,226</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
COVID-19 direct assistance	\$ 228,752	
Benefits application assistance	158,413	
Other direct assistance	46,923	\$ 43,437
Dental mobile unit	421	421
Hurricane Harvey direct assistance		81,035
Capacity building	<u> </u>	<u>14,000</u>
Total net assets with donor restrictions	<u>\$ 434,509</u>	<u>\$ 138,893</u>

NOTE 5 – IN-KIND CONTRIBUTIONS

In-kind contributions recognized include the following:

	<u>2020</u>	<u>2019</u>
Food for distribution	\$ 678,793	\$ 1,097,366
Office space provided by the Church	30,720	54,720
Other	<u>9,350</u>	<u>3,000</u>
Total in-kind contributions	<u>\$ 718,863</u>	<u>\$ 1,155,086</u>

NOTE 6 – RETIREMENT PLAN

ECHOS offers a §403(b) retirement plan for the benefit of all employees through a voluntary salary contribution. ECHOS provides a base contribution of 5% of annual compensation and fully matches employee contributions up to 4% of annual compensation. Employer contributions were \$25,740 and \$22,992 for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 – GOVERNMENT GRANT CONTINGENCIES

ECHOS receives government grants that require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by ECHOS with the terms of the contracts. Management believes such disallowances, if any, would not be material to ECHOS' financial position or changes in net assets.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 21, 2021, which is the date that the financial statements were available for issuance. No events, other than the PPP loan forgiveness disclosed in Note 2, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
