

JONATHAN B TUCKER CPA

EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC

FINANCIAL STATEMENTS

Year ended December 31, 2016

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JONATHAN B TUCKER CPA

INDEPENDENT AUDITOR'S REPORT

To the BOARD OF DIRECTORS of EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC

I have audited the accompanying financial statements of EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC (a nonprofit organization), which comprise the statement of financial position as of DECEMBER 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Jonathan B Tucker CPA

SEPTEMBER 29, 2017

	DECEMBER 31, 2016
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 136,098
GRANTS RECEIVABLE	35,200
PROPERTY AND EQUIPMENT, NET	<u>5,243</u>
TOTAL ASSETS	<u>\$ 176,541</u>
LIABILITIES	
ACCOUNTS PAYABLE	\$ 7,579
ACCRUED EXPENSES	<u>5,148</u>
TOTAL LIABILITIES	12,727
NET ASSETS	
UNRESTRICTED	129,112
TEMPORARILY RESTRICTED	<u>34,702</u>
TOTAL NET ASSETS	<u>163,814</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 176,541</u>

YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE			
CONTRIBUTIONS, GRANTS AND SUPPORT	\$ 181,187	\$ 242,553	\$ 423,740
SPECIAL EVENTS	44,209		44,209
LESS DIRECT COSTS OF SPECIAL EVENTS	(15,497)		(15,497)
OTHER INCOME	6		6
IN-KIND CONTRIBUTIONS	761,971		761,971
NET ASSETS RELEASED FROM RESTRICTION PROGRAM EXPENDITURES	<u>207,851</u>	<u>(207,851)</u>	<u>-</u>
TOTAL REVENUE	1,179,727	34,702	1,214,429
EXPENSES			
PROGRAM EXPENSES			
FOOD PANTRY & FAIRS	783,522		783,522
BENEFITS APPLICATION ASSISTANCE	266,795		266,795
EDUCATION & OUTREACH	42,615		42,615
OTHER PROGRAMS	<u>43,620</u>		<u>43,620</u>
TOTAL PROGRAM EXPENSES	1,136,552		1,136,552
MANAGEMENT AND GENERAL	44,830		44,830
FUNDRAISING	<u>40,813</u>		<u>40,813</u>
TOTAL EXPENSES	1,222,195		1,222,195
EXCESS OF REVENUES OVER EXPENSES	<u>(42,468)</u>	<u>34,702</u>	<u>(7,766)</u>
BEGINNING NET ASSETS	<u>166,828</u>	<u>-</u>	<u>166,828</u>
ADJUSTMENT TO NET ASSETS	4,752		4,752
ENDING NET ASSETS	<u>\$ 129,112</u>	<u>\$ 34,702</u>	<u>\$ 163,814</u>

YEAR ENDED DECEMBER 31, 2016

	FOOD PANTRY & FAIRS	BENEFITS APPLICATION ASSISTANCE	EDUCATION & OUTREACH	OTHER PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FOOD FOR DISTRIBUTION	\$ 767,779	-	-	-	-	-	\$ 767,779
DIRECT PROGRAM EXPENSES	899	4,317	1,349	2,388	2,900	9,357	21,210
PROFESSIONAL SERVICES	-	12,400	1,475	-	19,255	12,720	45,850
PAYROLL	10,462	173,537	27,436	28,197	15,510	10,666	265,808
EMPLOYEE TAXES & BENEFITS	1,625	26,948	4,260	4,379	2,408	1,656	41,276
OVERHEAD COSTS	2,757	49,593	8,095	8,656	4,757	6,414	80,272
TOTAL	\$ 783,522	266,795	42,615	43,620	44,830	40,813	\$ 1,222,195

YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

EXCESS OF REVENUES OVER EXPENSES	\$ (7,766)
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	1,604
GRANTS RECEIVABLE	(35,200)
PREPAID EXPENSES	1,293
ACCOUNTS PAYABLE	5,474
ACCRUED EXPENSES	<u>5,449</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(29,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
PROPERTY AND EQUIPMENT, NET	<u>(6,169)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(6,169)</u>
NET INCREASE (DECREASE) IN CASH	(35,315)
CASH, BEGINNING OF YEAR	<u>171,413</u>
CASH, END OF YEAR	<u>\$ <u>136,098</u></u>

SUPPLEMENTAL DISCLOSURES

INCOME TAXES PAID	\$ -
INTEREST PAID	\$ -

NOTE 1: NATURE OF ORGANIZATION

Epiphany Community Health Outreach Services Inc. (the Organization or ECHOS) was incorporated on April 2, 2001 as a not for profit agency located in Houston, Texas. In response to the dramatic change in southwest Houston's demographics the parishioners of the Episcopal Church of the Epiphany established ECHOS. The Organization's mission is to connect people in need with health, social and educational resources that can improve their lives.

ECHOS helps families access health care services and benefits coverage. The Organization partners with healthcare providers who provide direct services for the clients that we serve, or who seek to research health care 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 health care, food, educational and other social services. Other forms of assistance include classes for English Language Learners and computer literacy, domestic violence support groups continue on a regular basis. Medicaid, Harris Health FAP (Gold Card) application assistance and follow-up remain our core service. Our programs are:

- Benefits Application Assistance
- Healthcare Mobile Clinics
- Healthcare Screenings
- Support Groups
- Voter Registration
- English as a Second Language
- Computer Literacy
- Food Pantry & Food Fairs

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Basis of accounting

The financial statements have been prepared using the accrual basis of accounting. Consequently, support and revenues and the related assets are recognized when earned and expenses are recognized when a liability is incurred. Accordingly, the financial statements are intended to present assets, liabilities, revenues, expenses and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

Presentation of financial statements

The classification of the Organization's net assets and its support, revenue and expenses is based on the existence or absence of donor imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted be

displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At year end, cash and cash equivalents included only demand deposits at commercial banks.

Grants receivable

Grants 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 to estimate the present value of future cash flows, if material.

Property, equipment, and depreciation

Property and equipment are recorded at cost, or, if donated, at fair market value on the date of donation. The Organization capitalizes individual property items with a cost in excess of \$2,500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful life of depreciable assets is 5 years. Depreciation expense is allocated to program, management and general, and fundraising expenses.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted increases in net assets depending on the existence or nature of any donor restrictions.

In-kind contributions

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer effort under FAS ASC 958 have not been satisfied.

The Organization receives office and facilities for client operations from a related organization at no cost. The Organization also receives contributions of food items for its food pantry and food fairs. These items are distributed to needy families at no cost. The value of the donated facilities and food are reported on the statement of activities.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a church (or ministry thereof).

The Organization’s IRS Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after filing.

NOTE 3: GRANTS RECEIVABLE

Grants receivable include an unconditional promise to receive cash or reimbursement for allowed expenses. Unconditional promises are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. The promises are reported as either temporarily or permanently restricted support if received with donor stipulations that sufficiently limit the use of the donated assets or if the promises include payments due in future periods. Grants receivable expected to be received in less than one year are recognized at net realizable value.

At December 31, 2016, grants receivable consist of the following:

Grants receivable	\$	<u>35,200</u>
Total grants receivable	\$	<u><u>35,200</u></u>

NOTE 4: PROPERTY AND EQUIPMENT

At December 31, 2016, property and equipment consists of the following:

Equipment	\$	52,577
Furniture and fixtures		14,358
Accumulated depreciation		<u>(61,692)</u>
Total property and equipment, net	\$	<u><u>5,243</u></u>
Total depreciation expense at December 31, 2016	\$	1,604

NOTE 5: NET ASSETS TEMPORARILY RESTRICTED

At December 31, 2016, temporarily restricted net assets consist of the following:

Temporarily restricted, time	\$	-
Temporarily restricted, purpose		<u>34,702</u>
Total temporarily restricted net assets	\$	<u><u>34,702</u></u>

NOTE 6: IN-KIND CONTRIBUTIONS

The Organization receives in-kind contribution of facilities and food. Facilities are located on the property of The Church of the Epiphany. The church is a member of Diocese of Texas of the Episcopal Church USA denomination. Food is contributed primarily by a major food bank, as well as other organizations and individuals. In-kind contribution revenue and expense for the year ended December 31, 2016 is approximately \$761,971. In-kind expenses are recognized in the current period and are included in either program or management and general expenses.

NOTE 7: ADJUSTMENT TO NET ASSETS

The Organization has made an adjustment to unrestricted net assets in order to correct the beginning balance as a result of a detailed management review and conversion of the accounting system.

NOTE 8: RELATED PARTY TRANSACTIONS

The Registered Agent of the Organization is the Protestant Episcopal Church Council of the Diocese of Texas. The Church of the Epiphany and ECHOS are both ministries of the Episcopal Diocese of Texas. In-kind contribution of facilities for the year ended December 31, 2016 is \$27,900. In-kind rent expense is recognized in the current period and is included in either program or management and general expenses.

NOTE 9: RETIREMENT PLAN

The Organization offers a 403b retirement plan for the benefit of all employees through a voluntary salary contribution. The Organization provides a base contribution of 5% of annual compensation. The Organization also matches employee contributions up to a 4% of annual compensation. For the year ending December 31, 2016, employer contributions were approximately \$20,779.

NOTE 10: CONCENTRATIONS OF CREDIT RISK

The financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions, which from time to time could exceed the Federal Depository Insurance Coverage ("FDIC") limit.

NOTE 11: EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the Independent Auditor's Report, the date which the financial statements were available to be issued.

JONATHAN B TUCKER CPA

NPO-CL-5.2: Communication with Those Charged with Governance at the Conclusion of the Audit

SEPTEMBER 29, 2017

BOARD OF DIRECTORS of EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC

I have audited the financial statements of EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC for the year end DECEMBER 31, 2017, and have issued my report thereon dated SEPTEMBER 29, 2017. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated FEBRUARY 17, 2017. Professional standards also require that I communicate to you the following information related to the audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC are described in NOTE 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

In-kind contributions of food (see NOTE 6). I evaluated the key factors and assumptions used to develop the in-kind contribution of food in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

NONE.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material misstatements. A schedule has been provided that summarizes uncorrected misstatements of the financial

statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of our audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated SEPTEMBER 29, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the BOARD of DIRECTORS of EPIPHANY COMMUNITY HEALTH OUTREACH SERVICES INC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Jonathan B Tucker CPA