

ECHO INC.

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED JUNE 30, 2023 and 2022

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Thompson, Hughes & Trollinger



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
ECHO, Inc.
Springfield, Virginia

Opinion

We have audited the accompanying financial statements of ECHO, Inc., which comprise the statements of financial position as of June 30, 2023, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ECHO, Inc., as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ECHO, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of ECHO, Inc. for the year ended June 30, 2022 were audited by other auditors who expressed an unmodified opinion on those statements on March 3, 2023

Responsibilities of Management 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, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ECHO, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ECHO, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ECHO, Inc.'s ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Thompson, Hughes & Trolinger P.L.L.C.

December 15, 2023
Alexandria, Virginia

ECHO INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash		
Unrestricted	\$ 1,407,870	\$1,256,473
Restricted	-	6,710
Total cash	<u>1,407,870</u>	<u>1,263,183</u>
Accounts receivable, net	44,351	42,765
Prepaid expenses	10,412	11,075
Inventory	<u>203,644</u>	<u>195,601</u>
Total current assets	<u>1,666,277</u>	<u>1,512,624</u>
Escrow deposit	105,800	105,908
Property and equipment - net of accumulated depreciation	<u>1,525,024</u>	<u>1,535,005</u>
Total assets	<u><u>\$ 3,297,101</u></u>	<u><u>\$3,153,537</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 13,698	\$ 8,193
Refundable advances	<u>3,543</u>	<u>6,710</u>
Total current liabilities	<u>17,241</u>	<u>14,903</u>
Net assets		
Net assets without donor restrictions:		
Undesignated - operating reserve	923,806	1,006,342
Undesignated - other operating	2,056,350	1,882,161
Board designated	<u>232,045</u>	<u>170,956</u>
Total net assets without donor restrictions	<u>3,212,201</u>	<u>3,059,459</u>
Net assets with donor restrictions	<u>67,659</u>	<u>79,175</u>
Total net assets	<u>3,279,860</u>	<u>3,138,634</u>
Total liabilities and net assets	<u><u>\$ 3,297,101</u></u>	<u><u>\$3,153,537</u></u>

See notes to financial statements

ECHO INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue						
Contributions and grants	496,800	5,914	\$ 502,714	\$ 566,234	\$ 4,781	\$ 571,015
Workplace campaigns	4,573	40,924	45,497	-	40,473	40,473
Government contract for services	157,702	-	157,702	49,999	-	49,999
Sale of donated items	46,145	-	46,145	45,999	-	45,999
Value of items sold	(46,145)	-	(46,145)	(45,999)	-	(45,999)
Interest	416	-	416	77	-	77
Other	1,864	-	1,864	1,686	-	1,686
Noncash contributions - services	97,754	-	97,754	141,992	-	141,992
Noncash contributions - inventory and supplies	1,133,029	-	1,133,029	1,140,712	-	1,140,712
Net assets released from restrictions	58,354	(58,354)	-	57,107	(57,107)	-
Total support and other revenue	1,950,492	(11,516)	1,938,976	1,957,807	(11,853)	1,945,954
Expenses						
Program services	1,675,639	-	1,675,639	1,658,117	-	1,658,117
Management and general	119,224	-	119,224	146,157	-	146,157
Fundraising	2,887	-	2,887	2,684	-	2,684
Total expenses	1,797,750	-	1,797,750	1,806,958	-	1,806,958
Change in net assets	152,742	(11,516)	141,226	150,849	(11,853)	138,996
Net assets, beginning of year	3,059,459	79,175	3,138,634	2,908,610	91,028	2,999,638
Net assets, end of year	\$ 3,212,201	\$ 67,659	\$3,279,860	\$ 3,059,459	\$ 79,175	\$3,138,634

See notes to financial statements

ECHO INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Professional fees	\$ -	\$ 15,910	\$ -	\$ 15,910	\$ -	\$ 8,677	\$ -	\$ 8,677
In-kind professional fees	12,636	85,118		97,754	19,519	122,473	-	141,992
Office expense and supplies	5,745	11,462	186	17,393	8,905	11,073	135	20,113
Telephone	6,232	-	-	6,232	5,876	-	-	5,876
Occupancy	18,476	972	-	19,448	16,586	873	-	17,459
Repairs and maintenance	12,049	1,206	134	13,389	8,437	902	100	9,439
Postage	478	43	1,844	2,365	1,111	40	1,731	2,882
Publicity and newsletter	-	-	724	724	-	-	718	718
Insurance	8,801	-	-	8,801	6,243	-	-	6,243
Volunteer recognition	-	2,084	-	2,084	-	-	-	-
Specific assistance - cash	486,233	-	-	486,233	423,493	-	-	423,493
Specific assistance - noncash	1,078,840	-	-	1,078,840	1,127,693	-	-	1,127,693
Depreciation	46,148	2,429	-	48,577	40,254	2,119	-	42,373
	<u>\$ 1,675,639</u>	<u>\$ 119,224</u>	<u>\$ 2,887</u>	<u>\$1,797,750</u>	<u>\$ 1,658,117</u>	<u>\$ 146,157</u>	<u>\$ 2,684</u>	<u>\$1,806,958</u>

See notes to financial statements

ECHO INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 141,226	\$ 138,996
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	48,577	42,373
Changes in assets and liabilities:		
Accounts receivables	(1,586)	4,758
Prepaid expenses	663	(1,748)
Inventory	(8,043)	32,580
Accounts payable	5,505	6,390
Refundable advances	(3,167)	(476,239)
Net cash provided (used) by operating activities	<u>183,175</u>	<u>(252,890)</u>
Cash flows from investing activities		
Maturities of certificates of deposits	-	31,839
Payment of escrow deposit	-	(105,908)
Return of escrow deposit	108	-
Purchases of property and equipment	(38,596)	(62,604)
Net cash used by investing activities	<u>(38,488)</u>	<u>(136,673)</u>
Increase (decrease) in cash and cash equivalents	144,687	(389,563)
Cash, beginning of year	<u>1,263,183</u>	<u>1,652,746</u>
Cash, end of year	<u>\$ 1,407,870</u>	<u>\$ 1,263,183</u>

See notes to financial statements

ECHO INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 –Organization

ECHO, Inc. (ECHO), meaning Ecumenical Community Helping Others, a nonprofit organization, was formed in 1969 (1) to provide aid in emergencies to persons in need regardless of race, color, or creed when they cannot be assisted by the established governmental organizations and then only to the extent of temporary or emergency support; and (2) to act as a distributor in the Springfield, Virginia area. Significant sources of revenue include contributions, grants and in-kind donated items.

NOTE 2 – Significant Accounting Policies

Basis of Accounting

The financial statements of ECHO are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Accounts Receivable

The receivables are recorded at their net realizable value. The majority of receivables are from pledges and the amounts due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts. The allowance for doubtful accounts as of June 30, 2023 and 2022, was \$8,069 and \$10,348, respectively.

ECHO INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 2 –Significant Accounting Policies (continued)

Inventory

Inventory consists mainly of donated goods such as food, clothing, and household items contributed to ECHO that will be provided to clients. Inventory is recorded using the average wholesale cost, similar to amounts noted on the *Valuation Guide for Goodwill donors* as published by Goodwill Industries, International.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over estimated lives of five to fifty years. All acquisitions greater than \$2,500 with expected lives greater than one year are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred.

Refundable Advance and Restricted Cash

In May 2020, ECHO entered into an agreement with Fairfax County to provide a streamlined disbursement process to clients approved by the county to receive financial assistance under the CARES Act. In May 2021, ECHO entered into an agreement with Fairfax County to provide a streamlined disbursement process to clients approved by the county to receive rental assistance under the Emergency Rental Assistance Program (ERAP). As of June 30, 2022, there were excess funds of \$6,649 and \$61 under the CARES Act and ERAP, respectively. All excess funds were returned to Fairfax County during the year ended June 30, 2023.

Net Assets

ECHO's resources are classified for accounting and reporting purposes into net asset groups based on the existence or absence of donor or time-imposed restrictions. Net assets without donor restrictions includes resources either available for general support of ECHO or resources designated by ECHO's board of directors for specific purposes. Net assets with donor restrictions are resources received by ECHO from contributors or grantors which are limited as to their use by donor-imposed stipulations that can be fulfilled by actions of the ECHO pursuant to those stipulations or restrictions that expire with passage of time. Donor-restricted contributions whose restrictions are met in the same period as received are shown as net assets without donor restriction.

ECHO INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 2 –Significant Accounting Policies (continued)

Income Taxes

ECHO is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code as a Section 501(a) organization within the meaning of Section 509(a). The Internal Revenue Service has determined that ECHO is a publicly supported organization. ECHO has evaluated its tax position and determined that its tax position is more likely than not to be sustained on examination. ECHO's informational returns are subject to review and examination by federal, state, and local authorities, generally for three years after the date of filing.

Contributions and Grants

Contributions received are recorded as with or without donor-restricted support depending on the existence of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, either by the passage of time or the incurrence of donor-specified expenses, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are recognized as contributions with or without donor restrictions, as noted in the paragraph above, when the conditions on which they depend are met.

Noncash Contributions

Donations of property and equipment, inventory, and supplies are recorded as noncash contributions at their estimated fair values at the date of donation. Contributed services are recognized, at standard industry rates, if the services create or enhance nonfinancial assets or require specialized skills and would have to be purchased if not provided. Noncash contributions are shown as unrestricted unless specifically restricted by the donor.

Additionally, a substantial number of volunteers make significant contributions of time to both program and supporting services. The value of these services are not reflected in the financial statements because it does not meet the requirements of financial reporting.

ECHO INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 2 –Significant Accounting Policies (continued)

Government Contracts

Revenue from government grants and contracts is recognized in the year in which it is earned. Amounts collected but not earned are recorded as refundable advances.

Sales of Donated Items

Sale of donated assets consists of the proceeds of a semi-annual yard sale and online sales of items not suitable for disbursement to clients. Revenue is recognized in the period the item is sold.

Revenue Recognition

ECHO follows the accounting standards found in the *Topic 606* revenue recognition for contracts. Contract revenue is recognized when value is transferred to a client. In 2023, ECHO had no contract revenue.

Functional Allocation of Expenses

The cost of providing ECHO's programs and other activities have been summarized on a functional basis in the accompanying statement of activities and changes in net assets, and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates of usage.

NOTE 3 – Escrow Deposit

ECHO is currently planning a parking lot addition on land adjoining the current facility. During the year ended June 30, 2022, ECHO obtained a land disturbance and stormwater permit through Fairfax County in the amount of \$105,800 in conjunction with an environmental conservation plan related to the future construction. The funds have been put in an escrow account established by Fairfax County to cover potential remediation. Upon Fairfax County's approval of the final construction plan, the funds may be returned to ECHO with accrued interest. The amount paid is shown as escrow deposit on the statement of financial position.

ECHO INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 4 – Property and Equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 476,511	\$ 476,511
Building	1,532,948	1,532,948
Furniture and equipment	174,230	152,166
Construction in progress	183,645	167,113
	<u>2,367,334</u>	<u>2,328,738</u>
Less:		
Accumulated depreciation	<u>(842,310)</u>	<u>(793,733)</u>
	<u>\$ 1,525,024</u>	<u>\$ 1,535,005</u>

Depreciation expense is \$ 48,577 and \$ 42,373 during 2023 and 2022, respectively.

NOTE 5 – Net Assets

Board designated net assets consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Capital replacement	\$ 60,000	\$ 45,057
Designated infrastructure	172,045	125,899
Total	<u>\$232,045</u>	<u>\$ 170,956</u>

Net assets with donor restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Restricted for parking lot and building	\$ 26,735	\$ 38,702
Time restricted	40,924	40,473
Total	<u>\$ 67,659</u>	<u>\$ 79,175</u>

ECHO INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 6 – Noncash contributions

ECHO received noncash contributions of professional services as follows:

	2023	2022
Legal services	\$ 2,862	\$ 14,368
Accounting services	30,550	35,750
Other professional services	13,800	13,800
Executive director	50,542	78,074
Total	\$ 97,754	\$ 141,992

ECHO received noncash contributions of inventory and supplies as follows:

	2023	2022
Food	\$ 485,031	\$ 568,450
Housewares	151,164	152,289
Clothing	346,853	331,109
Other contributed inventory and supplies	149,981	88,864
Total	\$ 1,133,029	\$ 1,140,712

NOTE 7 – Financial assets available and management of liquidity costs

ECHO has \$1,152,517 of financial assets available to meet cash needs for general expenditures within one year of the balance sheet date. Financial assets available consists entirely of cash and accounts receivable less amounts board designated or restricted. ECHO has a policy to structure its financial assets to be available for the payment of general expenditures, as they become necessary. ECHO has no long-term debt.

NOTE 8 – Subsequent events

ECHO’s management has evaluated subsequent events and transactions for possible recognition or disclosure through December 15, 2023, the date the financial statements are available to be issued.