

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

AND INDEPENDENT AUDITOR'S REPORT

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
South Carolina Environmental Law Project, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the South Carolina Environmental Law Project, Inc., which comprise the statement of financial position as of December 31, 2019, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 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.

(Continued next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Environmental Law Project, Inc. as of December 31, 2019, 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.



BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.
West Columbia, South Carolina
May 13, 2020

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 179,096
Receivables	2,000
Investments	<u>624,056</u>
Total current assets	<u>805,152</u>
Property and Equipment:	
Furniture, fixtures, and equipment	26,301
Less, accumulated depreciation	<u>(21,659)</u>
Net property and equipment	4,642
Other Assets:	
Beneficial interest in perpetual trust	<u>100,113</u>
Total assets	<u><u>909,907</u></u>
LIABILITIES AND NET ASSETS:	
Current Liabilities:	
Accounts payable	12,140
Accrued payroll liabilities	<u>13,279</u>
Total current liabilities	<u>25,419</u>
Net Assets:	
Without donor restrictions	<u>884,488</u>
Total net assets	<u>884,488</u>
Total liabilities and net assets	<u><u>\$ 909,907</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>
Revenues	
Contributions	\$ 453,396
Grants	233,200
Special event revenues	129,800
Program service fees	97,492
In-kind contributions	30,576
Investment return, net	<u>36,328</u>
Total revenues	980,792
Expenses	
Program	629,322
Management and general	74,196
Fundraising	<u>148,488</u>
Total expenses	<u>852,006</u>
Increase (decrease) in net assets	128,786
Net Assets	
Beginning	<u>755,702</u>
Ending	<u>\$ 884,488</u>

The accompanying notes to financial statements are an integral part of these financial statements.

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 421,144	\$ 48,231	\$ 84,555	\$ 553,930
Employee benefits	26,839	6,520	7,677	41,036
Information technology	3,589	2,375	2,036	8,000
Insurance	7,374	1,277	1,484	10,135
Legal research	20,130	-	-	20,130
Litigation costs	19,432	-	72	19,504
Office expenses	44,100	6,382	7,764	58,246
Other direct costs	7,603	222	17,265	25,090
Other expenses	2,080	-	3,829	5,909
Professional fees	34,056	3,803	4,152	42,011
Payroll taxes	32,431	3,704	6,515	42,650
Staff training	2,238	20	1,694	3,952
Travel and meals	8,306	1,662	11,445	21,413
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Total	\$ 629,322	\$ 74,196	\$ 148,488	\$ 852,006

The accompanying notes to financial statements are an integral part of these financial statements.

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 128,786
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation expense	954
Unrealized gains on investments	(22,280)
Decrease (Increase) in receivables	(2,000)
Increase (Decrease) in accounts payable	2,897
Increase (Decrease) in accrued liabilities	10,564
	<hr/>
Net cash provided by (used in) operating activities	118,921
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Cash Flows from Investing Activities	
Purchase of fixed assets	(3,750)
Purchase of investments	(322,858)
Proceeds from sale of investments	200,000
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Net cash provided by (used in) investing activities	(126,608)
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Net change in cash	(7,687)
Cash	
Beginning	186,783
	<hr/>
Ending	\$ 179,096
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The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.
YEAR ENDED DECEMBER 31, 2019**

Notes to Financial Statements

Note 1. Nature of Activities

South Carolina Environmental Law Project, Inc. (the “Organization”) is a non-profit public interest law firm dedicated to the protection of South Carolina’s environment. The Organization provides concerned citizens and environmental groups the services of attorneys with broad experience in environmental law by representing its clients in court and before governmental agencies, providing free and low-cost legal counsel and advice.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net assets 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 the organization. These net assets may be used at the discretion of the Organization’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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Cash and cash equivalents: For purposes of reporting the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in checking and overnight investment accounts.

Concentration of credit risk: Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution when bank deposits exceed federally insured limits. Those balances are insured by the Federal Insurance Corporation (FDIC) up to \$250,000. The balances as of December 31, 2019 did not exceed this limit. The Organization has not experienced any losses on its cash equivalents.

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.
YEAR ENDED DECEMBER 31, 2019

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Investments: Investments are state at quoted market values. Realized gains or losses on sales of securities are the difference between proceeds received and the original cost of the securities and are reflected within investment return, net in the statement of activities. The change in the difference between the market value and the cost of the securities is reflected in the statements of activities within investment return, net.

Fair value of financial instruments: The carrying amounts of receivables, accounts payables, and accrued expenses approximates fair value due to the short maturities of these instruments.

Property and equipment: The Organization capitalize all expenditures for furniture, fixtures and equipment of \$500 or more. Furniture, fixtures and equipment are stated at cost or, if donated, at estimated fair market value. Expenditures for major renewals and betterments that extend the useful lives of furniture and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. A period of three (3) years is used for office equipment and a period of five (5) years is used for office furniture. Depreciation expense for the year ending December 31, 2019 was \$954.

Support and expense: Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain grants received may be conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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 statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are presented as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are placed in service.

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.
YEAR ENDED DECEMBER 31, 2019

Notes to Financial Statements

Note 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 statement of functional expenses. Accordingly, certain costs have been allocated among program, management and general, and fund-raising services. Such actions are determined by management on an equitable basis.

Salaries and wages, staff benefits, and payroll taxes are allocated based on employee time and effort. All other expenses are allocated based on the nature of the expenses incurred.

Use of estimates: The preparation of the financial statements in conformity with US GAAP 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Income taxes: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examination by the US Federal or state tax authorities for years before 2016.

Recently issued accounting pronouncements: In February 2016, the FASB amended the Leases Topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the effect that implementation of the new standard will have on the Organization's financial statements.

Change in accounting principle: In May 2014, the FASB added Topic 606, "Revenue from Contracts with Customers" to establish principles to report useful information about the nature, amount, timing and uncertainty of revenue from contracts with customers. This standard supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. will be effective for fiscal years beginning after December 15, 2018. The Organization has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented with no effect on net assets.

SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.
YEAR ENDED DECEMBER 31, 2019

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provision of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Note 3. Availability and Liquidity

The following represents the Organization's financial assets and liabilities at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 179,096
Receivables	2,000
Investments	<u>724,169</u>
Total financial assets available to meet general expenditures over the next twelve months:	<u>\$ 905,265</u>

The Organization's goal is generally to maintain financial assets to meet 3 months of operating expenses (approximately \$213,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts, certificates of deposit, and investment grade bonds held at FDIC or SIPC insured institutions.

Note 4. Investments

The following is a summary of investments at December 31, 2019:

	Market Value	Cost
Mutual funds	<u>\$ 524,169</u>	<u>\$ 502,358</u>
Certificates of deposit	<u>200,000</u>	<u>200,000</u>
Total	<u>\$ 724,169</u>	<u>\$ 702,358</u>

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statement of financial position.

**SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.
YEAR ENDED DECEMBER 31, 2019**

Notes to Financial Statements

Note 4. Investments (continued)

Investment return, net is made up of the following:

Interest and dividends	\$ 14,982
Unrealized gains/(losses)	22,280
Investment fees	(934)
Investment return, net	<u>\$ 36,328</u>

Note 5. Fair Value Measurements

The Organization's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by ASC 820-10, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The levels of the fair value hierarchy are as follows:

- Level 1 Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 Certain inputs are unobservable (support by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 524,169			\$ 524,169
Certificates of deposit	200,000			200,000
Total	<u>\$ 724,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724,169</u>

**SOUTH CAROLINA ENVIRONMENTAL LAW PROJECT, INC.
YEAR ENDED DECEMBER 31, 2019**

Notes to Financial Statements

Note 6. Retirement Plan

The Organization provides a retirement program for eligible full-time employees who are 21 years of age or older. South Carolina Environmental Law Project, Inc. contributes up to 5% of each qualified employee's basic contribution to the retirement plan when employee becomes vested after one year of employment. For the year ended December 31, 2019, the Organization made contributions totaling \$17,863.

Note 7. Related Party In-Kind Donation

The Organization received in-kind donations for staff and office space totaling \$30,576 for the year ended December 31, 2019. These donations were received from a member of the Organization's board of directors.

Note 8. Subsequent Events

Management has considered subsequent events through May 13, 2020, the date on which the financial statements were available to be issued, in preparing the financial statements and notes hereto.

At the date of issuance of these financial statements, financial markets have experienced significant declines due to the COVID-19 coronavirus global pandemic. The ultimate effects of the pandemic on the Organization's investments and revenue sources cannot be predicted.