

Episcopal Community Services of the Diocese of Pennsylvania

Financial Statements
Years Ended June 30, 2015 and 2014



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EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Episcopal Community Services of the Diocese of Pennsylvania
Philadelphia, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Community Services of the Diocese of Pennsylvania (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States and the **City of Philadelphia Subrecipient Audit Guide**. Those standards and the **City of Philadelphia Subrecipient Audit Guide** require that we 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, 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 Episcopal Community Services of the Diocese of Pennsylvania as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional program expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal, state and city awards, as required by Office of Management and Budget ("**OMB**") Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations*** and the ***City of Philadelphia Subrecipient Audit Guide***, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated November 9, 2015, on our consideration of Episcopal Community Services of the Diocese of Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Episcopal Community Services of the Diocese of Pennsylvania's internal control over financial reporting and compliance.

BBO, LLP.

**Philadelphia, Pennsylvania
November 9, 2015**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,115,082 | \$ 428,333 |
| Grants receivable | 503,534 | 681,448 |
| Contributions receivable | 198,696 | 212,813 |
| Prepaid expenses | <u>313,978</u> | <u>280,126</u> |
| Total current assets | <u>2,131,290</u> | <u>1,602,720</u> |
| NONCURRENT ASSETS | | |
| Contributions receivable | 50,000 | 175,000 |
| Land, buildings, building improvements, equipment, and furniture and fixtures, net | 2,416,352 | 2,605,385 |
| Long-term investments | 60,886,107 | 59,798,435 |
| Beneficial interest in perpetual trusts | <u>1,686,000</u> | <u>1,920,000</u> |
| Total noncurrent assets | <u>65,038,459</u> | <u>64,498,820</u> |
| Total assets | <u>\$ 67,169,749</u> | <u>\$ 66,101,540</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Line of credit | \$ 497,000 | \$ - |
| Accounts payable and accrued expenses | <u>828,548</u> | <u>901,629</u> |
| Total liabilities | <u>1,325,548</u> | <u>901,629</u> |
| COMMITMENTS AND CONTINGENCY | | |
| NET ASSETS | | |
| Unrestricted | | |
| Designated for long-term investments | 24,985,741 | 23,693,128 |
| Other unrestricted | <u>2,112,108</u> | <u>2,825,410</u> |
| Total unrestricted | 27,097,849 | 26,518,538 |
| Temporarily restricted | 24,841,809 | 24,542,830 |
| Permanently restricted | <u>13,904,543</u> | <u>14,138,543</u> |
| Total net assets | <u>65,844,201</u> | <u>65,199,911</u> |
| Total liabilities and net assets | <u>\$ 67,169,749</u> | <u>\$ 66,101,540</u> |

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2015 with comparative totals for 2014

| | <u>Unrestricted</u> | Board | <u>Total</u> | <u>Temporarily</u> | <u>Permanently</u> | <u>Totals</u> | |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | Designated | | | | <u>Unrestricted</u> | <u>Restricted</u> |
| SUPPORT, REVENUE AND GAINS | | | | | | | |
| Support | | | | | | | |
| Contributions | \$ 1,238,259 | \$ - | \$ 1,238,259 | \$ 1,114,000 | \$ - | \$ 2,352,259 | \$ 1,179,599 |
| Diocese of Pennsylvania | 70,656 | - | 70,656 | - | - | 70,656 | 61,873 |
| Legacies and bequests | 163,591 | 1,235,500 | 1,399,091 | - | - | 1,399,091 | 379,712 |
| Federal, state, and local grants | 3,234,445 | - | 3,234,445 | - | - | 3,234,445 | 4,407,907 |
| Foundations | 195,600 | - | 195,600 | 60,000 | - | 255,600 | 257,000 |
| Fees | 146,001 | - | 146,001 | - | - | 146,001 | 116,051 |
| Other | 44,022 | - | 44,022 | - | - | 44,022 | 70,536 |
| Total support | <u>5,092,574</u> | <u>1,235,500</u> | <u>6,328,074</u> | <u>1,174,000</u> | <u>-</u> | <u>7,502,074</u> | <u>6,472,678</u> |
| Revenue and gains | | | | | | | |
| Interest and dividends | - | 525,758 | 525,758 | 678,204 | - | 1,203,962 | 1,166,473 |
| Trust and fiduciary income | 170,281 | - | 170,281 | - | - | 170,281 | 149,767 |
| Net realized and unrealized gain (loss) on investments | (21,302) | 524,355 | 503,053 | 641,579 | - | 1,144,632 | 8,541,651 |
| Change in value of beneficial interest in perpetual trusts | - | - | - | - | (234,000) | (234,000) | 69,000 |
| Total revenue and gains | <u>148,979</u> | <u>1,050,113</u> | <u>1,199,092</u> | <u>1,319,783</u> | <u>(234,000)</u> | <u>2,284,875</u> | <u>9,926,891</u> |
| Total support, revenue and gains | <u>5,241,553</u> | <u>2,285,613</u> | <u>7,527,166</u> | <u>2,493,783</u> | <u>(234,000)</u> | <u>9,786,949</u> | <u>16,399,569</u> |
| Net assets released from restrictions | | | | | | | |
| Endowment spending policy | 2,553,000 | (918,000) | 1,635,000 | (1,635,000) | - | - | - |
| Expiration of purpose and time restrictions | 634,804 | (75,000) | 559,804 | (559,804) | - | - | - |
| Total support, revenue and gains | <u>8,429,357</u> | <u>1,292,613</u> | <u>9,721,970</u> | <u>298,979</u> | <u>(234,000)</u> | <u>9,786,949</u> | <u>16,399,569</u> |
| EXPENSES | | | | | | | |
| Program services | 7,276,634 | - | 7,276,634 | - | - | 7,276,634 | 7,894,438 |
| Management and general | 1,398,970 | - | 1,398,970 | - | - | 1,398,970 | 1,259,899 |
| Fundraising | 451,506 | - | 451,506 | - | - | 451,506 | 387,133 |
| Other | 15,549 | - | 15,549 | - | - | 15,549 | 30,570 |
| Total expenses | <u>9,142,659</u> | <u>-</u> | <u>9,142,659</u> | <u>-</u> | <u>-</u> | <u>9,142,659</u> | <u>9,572,040</u> |
| CHANGES IN NET ASSETS | (713,302) | 1,292,613 | 579,311 | 298,979 | (234,000) | 644,290 | 6,827,529 |
| NET ASSETS | | | | | | | |
| Beginning of year | <u>2,825,410</u> | <u>23,693,128</u> | <u>26,518,538</u> | <u>24,542,830</u> | <u>14,138,543</u> | <u>65,199,911</u> | <u>58,372,382</u> |
| End of year | <u>\$ 2,112,108</u> | <u>\$ 24,985,741</u> | <u>\$ 27,097,849</u> | <u>\$ 24,841,809</u> | <u>\$ 13,904,543</u> | <u>\$ 65,844,201</u> | <u>\$ 65,199,911</u> |

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

| | <u>Unrestricted</u> | <u>Board Designated Unrestricted</u> | <u>Total Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|--|-------------------------------|-----------------------------------|-----------------------------------|----------------------|
| SUPPORT, REVENUE AND GAINS | | | | | | |
| Support | | | | | | |
| Contributions | \$ 1,157,764 | \$ 1,575 | \$ 1,159,339 | \$ 20,260 | \$ - | \$ 1,179,599 |
| Diocese of Pennsylvania | 61,873 | - | 61,873 | - | - | 61,873 |
| Legacies and bequests | 77,654 | 302,058 | 379,712 | - | - | 379,712 |
| Federal, state, and local grants | 4,407,907 | - | 4,407,907 | - | - | 4,407,907 |
| Foundations | 125,000 | - | 125,000 | 132,000 | - | 257,000 |
| Fees | 116,051 | - | 116,051 | - | - | 116,051 |
| Other | 55,536 | - | 55,536 | 15,000 | - | 70,536 |
| Total support | <u>6,001,785</u> | <u>303,633</u> | <u>6,305,418</u> | <u>167,260</u> | <u>-</u> | <u>6,472,678</u> |
| Revenue and gains | | | | | | |
| Interest and dividends | - | 484,913 | 484,913 | 681,560 | - | 1,166,473 |
| Trust and fiduciary income | 149,767 | - | 149,767 | - | - | 149,767 |
| Net realized and unrealized gain on investments | 22,583 | 3,313,188 | 3,335,771 | 5,205,880 | - | 8,541,651 |
| Change in value of beneficial interest in perpetual trusts | - | - | - | - | 69,000 | 69,000 |
| Total revenue and gains | <u>172,350</u> | <u>3,798,101</u> | <u>3,970,451</u> | <u>5,887,440</u> | <u>69,000</u> | <u>9,926,891</u> |
| | <u>6,174,135</u> | <u>4,101,734</u> | <u>10,275,869</u> | <u>6,054,700</u> | <u>69,000</u> | <u>16,399,569</u> |
| Net assets released from restrictions | | | | | | |
| Endowment spending policy | 2,504,000 | (903,800) | 1,600,200 | (1,600,200) | - | - |
| Expiration of purpose and time restrictions | 474,456 | - | 474,456 | (474,456) | - | - |
| Total support, revenue and gains | <u>9,152,591</u> | <u>3,197,934</u> | <u>12,350,525</u> | <u>3,980,044</u> | <u>69,000</u> | <u>16,399,569</u> |
| EXPENSES | | | | | | |
| Program services | 7,894,438 | - | 7,894,438 | - | - | 7,894,438 |
| Management and general | 1,259,899 | - | 1,259,899 | - | - | 1,259,899 |
| Fundraising | 387,133 | - | 387,133 | - | - | 387,133 |
| Other | 30,570 | - | 30,570 | - | - | 30,570 |
| Total expenses | <u>9,572,040</u> | <u>-</u> | <u>9,572,040</u> | <u>-</u> | <u>-</u> | <u>9,572,040</u> |
| CHANGES IN NET ASSETS | <u>(419,449)</u> | <u>3,197,934</u> | <u>2,778,485</u> | <u>3,980,044</u> | <u>69,000</u> | <u>6,827,529</u> |
| NET ASSETS | | | | | | |
| Beginning of year | <u>3,244,859</u> | <u>20,495,194</u> | <u>23,740,053</u> | <u>20,562,786</u> | <u>14,069,543</u> | <u>58,372,382</u> |
| End of year | <u>\$ 2,825,410</u> | <u>\$ 23,693,128</u> | <u>\$ 26,518,538</u> | <u>\$ 24,542,830</u> | <u>\$ 14,138,543</u> | <u>\$ 65,199,911</u> |

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Changes in net assets</i> | \$ 644,290 | \$ 6,827,529 |
| <i>Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:</i> | | |
| Depreciation | 349,571 | 339,311 |
| Net realized and unrealized gain on investments | (1,144,632) | (8,541,651) |
| Change in value of beneficial interest in perpetual trusts | 234,000 | (69,000) |
| (Increase) decrease in | | |
| Grants receivable | 177,914 | 60,399 |
| Contributions receivable | 139,117 | 143,905 |
| Prepaid expenses | (33,852) | (5,324) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (73,081) | 214,931 |
| Net cash provided by (used for) operating activities | <u>293,327</u> | <u>(1,029,900)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from the sale of investments | 16,285,776 | 5,795,296 |
| Purchase of investments | (16,228,816) | (4,814,153) |
| Additions to land, buildings, building improvements, equipment and furniture and fixtures | (160,538) | (349,126) |
| Net cash provided by (used for) investing activities | <u>(103,578)</u> | <u>632,017</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings on line of credit | 497,000 | - |
| Change in cash | 686,749 | (397,883) |
| CASH | | |
| Beginning of year | 428,333 | 826,216 |
| End of year | <u>\$ 1,115,082</u> | <u>\$ 428,333</u> |

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

(1) NATURE OF OPERATIONS

Episcopal Community Services of the Diocese of Pennsylvania ("**ECS**") is an independent Pennsylvania not-for-profit corporation. The mission statement of ECS is, "Episcopal Community Services empowers vulnerable individuals and families by providing high-quality social and educational services that affirm human dignity and promote social justice."

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

ECS reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted net assets

Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of ECS and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "***net assets released from restrictions.***"

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("**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 those estimates.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of ECS. Unobservable inputs reflect ECS' assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that ECS has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect ECS' own assumptions.

Land, Buildings, Building Improvements, Equipment and Furniture and Fixtures

The Church Foundation (an affiliate of the Episcopal Diocese of Pennsylvania) holds title to the land and building, located at 225 South 3rd Street, Philadelphia, Pennsylvania, in trust for the benefit of ECS, which is entitled to use such premises in perpetuity free of charge. ECS has made building improvements to the premises. The buildings, building improvements, equipment, furniture and fixtures are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets as follows:

| | |
|-----------------------------------|---------------|
| Buildings | 40 years |
| Building improvements | 20 - 40 years |
| Equipment, furniture and fixtures | 3 - 5 years |

Assets sold or otherwise retired are removed from the accounts and any gain or loss on disposal is reflected in the statements of activities.

Investments

Investments are stated at fair value which is determined by quoted market prices. Donated investments are recorded as contributions at the fair value at the time of donation.

Income derived from investments includes dividends, interest and capital gains, and is unrestricted unless otherwise stipulated by the donor or law. Temporarily restricted investment income is recorded as temporarily restricted net assets and, when the restriction expires, is transferred to unrestricted net assets.

ECS invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Contributions

Contributions received, including promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as **"net assets released from restrictions."**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

Beneficial Interest in Perpetual Trusts

ECS is the beneficiary of perpetual trust agreements which are held by third parties. Because ECS will receive a perpetual stream of income from the trusts, an estimate of the present value of estimated future cash flows has been recorded as an asset on the statements of financial position using Level 3 valuation inputs. ECS' beneficial interest in these trust agreements is shown as permanently restricted net assets in the financial statements and its impact on the statements of activities is shown on the line **"change in value of beneficial interest in perpetual trusts."**

Federal, State, and Local Grants

Federal, state, and local grants are recorded as revenue as the services are performed. Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with governmental agencies having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. ECS does not charge interest on outstanding balances.

Permanently Restricted Endowments

Investment income and investment gains earned on permanently restricted net assets are recorded as temporarily restricted net assets. Investment losses on the investments of a permanently restricted endowment fund reduce temporarily restricted net assets. When there are no temporarily restricted net assets related to a specific permanently restricted endowment fund and the fair value of the investments related to such an endowment declines to below its original historic cost value, that endowment item is technically "underwater." Investment losses on underwater endowments are recorded as unrestricted. Future investment gains are recorded as unrestricted until the endowment investment balance is restored to its historic cost value.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the program and supporting services benefited.

Income Tax Status

ECS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to ECS' tax-exempt purpose is subject to taxation as unrelated business income. In addition, ECS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. ECS believes that it had no uncertain tax positions as defined in GAAP.

Concentrations of Credit Risk

Financial instruments which potentially subject ECS to concentrations of credit risk are cash, grants receivable and contributions receivable. ECS maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits. Grants receivable are from various government agencies and are expected to be collected in 2016. Contributions receivable are expected to be collected as shown in **Note 3**.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|------------------|------------------|
| Receivable in less than one year | \$198,696 | \$212,813 |
| Receivable in one to five years | <u>50,000</u> | <u>175,000</u> |
| Contributions receivable, net | <u>\$248,696</u> | <u>\$387,813</u> |

Contributions receivable are measured at fair value using Level 2 valuation inputs.

(4) INVESTMENTS

The fair value of ECS' investments at June 30, 2015 and 2014 is summarized as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|---------------------|---------------------|
| Cash equivalents and accrued income | \$ 956,441 | \$ 801,416 |
| Bond mutual funds | 14,459,991 | 13,750,958 |
| Common stock mutual funds | 19,560,227 | 23,206,074 |
| Common stock exchange traded funds | 1,406,792 | 1,920,424 |
| Marketable equity securities | <u>24,502,656</u> | <u>20,119,563</u> |
| | <u>\$60,886,107</u> | <u>\$59,798,435</u> |

Investment fees were \$211,635 and \$185,479 for the years ended June 30, 2015 and 2014, respectively.

Investments are measured at fair value using Level 1 valuation inputs.

(5) LAND, BUILDINGS, BUILDING IMPROVEMENTS, EQUIPMENT, AND FURNITURE AND FIXTURES

As of June 30, 2015 and 2014, land, buildings, building improvements, equipment, and furniture and fixtures consist of:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 40,000 | \$ 40,000 |
| Buildings | 2,024,569 | 2,024,569 |
| Building improvements | 2,367,857 | 2,367,857 |
| Equipment, furniture and fixtures | <u>1,939,337</u> | <u>2,044,519</u> |
| | 6,371,763 | 6,476,945 |
| Less accumulated depreciation | <u>(3,955,411)</u> | <u>(3,871,560)</u> |
| | <u>\$ 2,416,352</u> | <u>\$ 2,605,385</u> |

For the years ended June 30, 2015 and 2014, depreciation expense was \$349,571 and \$339,311, respectively.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

(6) RETIREMENT PLANS

Defined Contribution Pension Plan

ECS has a 401(k) defined contribution pension plan that covers all eligible employees. Eligibility requirements include having attained the age of 21 years and having completed 1,000 hours of service in a 12-month period. Employees may contribute up to 75% of their compensation. ECS matches up to a maximum of 3% of the employee's compensation. ECS' decision whether to match and the amount of the match is discretionary. Employees become 20% vested in the employer's contribution after 2 years but less than 3 years of service and become 100% vested after 3 years of service. One year of service is equivalent to 1,000 hours of service at any time during a plan year.

Clergy Retirement Plan

All Episcopal clergy employed by ECS are enrolled in The Church Pension Fund as required by national and diocesan canons.

Total pension expense for both plans was \$ 78,793 and \$66,921 for the years ended June 30, 2015 and 2014, respectively.

(7) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

| | <u>Balance</u> <u>June 30, 2014</u> | <u>Additions</u> | <u>Releases</u> | <u>Balance</u> <u>June 30, 2015</u> |
|----------------------------------|--|--------------------|----------------------|--|
| Endowment appreciation | \$23,708,026 | \$1,319,783 | \$(1,635,000) | \$23,392,809 |
| Center for innovation and impact | 338,260 | - | (138,260) | 200,000 |
| Emergency and special needs | 15,000 | 15,000 | (15,000) | 15,000 |
| St. Barnabas Mission | 35,000 | 20,000 | (35,000) | 20,000 |
| Education initiatives | 200,000 | - | (200,000) | - |
| Youth center and SYS | 95,000 | 415,000 | (95,000) | 415,000 |
| Future programs | - | 650,000 | - | 650,000 |
| Other | - | 32,000 | - | 32,000 |
| Available for future periods | <u>151,544</u> | <u>42,000</u> | <u>(76,544)</u> | <u>117,000</u> |
| | <u>\$24,542,830</u> | <u>\$2,493,783</u> | <u>\$(2,194,804)</u> | <u>\$24,841,809</u> |

(8) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Endowments | \$12,218,543 | \$12,218,543 |
| Beneficial interest in perpetual trusts | <u>1,686,000</u> | <u>1,920,000</u> |
| | <u>\$13,904,543</u> | <u>\$14,138,543</u> |

(9) ENDOWMENT FUNDS

An accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). ECS is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

ECS has adopted an investment policy for all investments to produce a predictable level of funds to meet the ECS' organizational objectives while achieving a maximum total return for the assets at a level consistent with prudent management. Under this policy, as approved by the Board, the assets are invested in a manner that is intended to produce returns that exceed the spending policy, while assuming a moderate level of investment risk. Actual returns may vary from the intended results. To satisfy its long-term rate of return objectives, ECS relies on a total return strategy in which investment returns are achieved through both capital appreciation and yield. ECS targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 5.10% of a moving 13 quarter average of the fair value of the endowment fund.

Changes in the endowment assets for the years ended June 30, 2015 and 2014 are as follows:

| | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------------|-----------------------------------|---------------------|
| Balance at June 30, 2014 | \$23,486,741 | \$23,708,026 | \$12,218,543 | \$59,413,310 |
| Contributions | 1,242,075 | - | - | 1,242,075 |
| Interest and dividends | 525,758 | 678,204 | - | 1,203,962 |
| Realized and unrealized gains | 524,355 | 641,579 | - | 1,165,934 |
| Endowment spending policy | <u>(918,000)</u> | <u>(1,635,000)</u> | <u>-</u> | <u>(2,553,000)</u> |
| Balance at June 30, 2015 | <u>\$24,860,929</u> | <u>\$23,392,809</u> | <u>\$12,218,543</u> | <u>\$60,472,281</u> |

| | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------------|-----------------------------------|---------------------|
| Balance at June 30, 2013 | \$20,285,784 | \$19,420,786 | \$12,218,543 | \$51,925,113 |
| Contributions | 306,656 | - | - | 306,656 |
| Interest and dividends | 484,913 | 681,560 | - | 1,166,473 |
| Realized and unrealized gains | 3,313,188 | 5,205,880 | - | 8,519,068 |
| Endowment spending policy | <u>(903,800)</u> | <u>(1,600,200)</u> | <u>-</u> | <u>(2,504,000)</u> |
| Balance at June 30, 2014 | <u>\$23,486,741</u> | <u>\$23,708,026</u> | <u>\$12,218,543</u> | <u>\$59,413,310</u> |

(10) LINE OF CREDIT

ECS has a line of credit with a bank in the amount of \$1,000,000, which was increased to \$2,000,000 in November 2015, at an interest rate of prime plus 1/4% (3.50% at June 30, 2015 and 2014) which expires in March 31, 2016. The line is uncollateralized. Advances under the line of credit at June 30, 2015 were \$497,000. There were no advances outstanding at June 30, 2014.

(11) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2015, the date on which the financial statements were available to be issued. Except as disclosed in Note 10, no material subsequent events have occurred that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF FUNCTIONAL PROGRAM EXPENSES

Year ended June 30, 2015 with comparative totals for 2014

| | Program Services | | | | | | |
|---|------------------------|-------------------|---------------------|-------------------------|-----------------------|-------------------------|-------------------|
| | Parenting SYS & WFD | Foster Care | Housing FaSST | St. Barnabas Mission | Homemaker Services | Health Care Services | OST Programs |
| PERSONNEL EXPENSES | | | | | | | |
| Salaries | \$ 269,988 | \$ 181,176 | \$ 416,899 | \$ 1,308,263 | \$ 1,156,170 | \$ 80,320 | \$ 471,962 |
| Payroll taxes and employee benefits | 81,212 | 54,496 | 125,400 | 384,616 | 389,319 | 29,660 | 100,732 |
| Total personnel expenses | 351,200 | 235,672 | 542,299 | 1,692,879 | 1,545,489 | 109,980 | 572,694 |
| OPERATING EXPENSES | | | | | | | |
| Building contracts and other contract services | 25,259 | 1,465 | 2,930 | 104,889 | 13,108 | 1,151 | 483 |
| Specific assistance: | | | | | | | |
| Clothing | - | - | - | - | - | - | - |
| Special care stipend | - | - | - | - | - | - | - |
| Board/foster care | - | 122,835 | - | - | - | - | - |
| Other | - | 3,951 | 488,769 | 57,570 | - | - | - |
| Consultant fees | - | - | 50,904 | 1,260 | 12,869 | - | 7,645 |
| Staff recruitment | 269 | 343 | 99 | 514 | 3,117 | 663 | 844 |
| Insurance | 11,854 | 2,970 | 3,056 | 27,730 | 23,702 | 2,223 | 20,558 |
| Telephone and utilities | 12,902 | 1,673 | 2,585 | 75,076 | 14,533 | 727 | 2,870 |
| Postage and photocopier | 11,514 | 668 | 1,336 | 10,782 | 5,975 | 525 | 5,484 |
| Staff travel and training | 3,160 | 1,374 | 1,175 | 4,962 | 29,528 | 667 | 2,966 |
| Office supplies | 3,990 | 231 | 463 | 2,522 | 2,071 | 182 | 3,074 |
| Legal and audit fees | 2,986 | 749 | 770 | 6,370 | 50,267 | 560 | 5,180 |
| Publicity and printing | - | - | - | - | 15,598 | - | - |
| Appeals/special events | - | - | - | 4,334 | - | - | - |
| Other | 81,781 | 5,720 | 3,344 | 25,822 | 12,659 | 15,985 | 90,686 |
| Total expenses before depreciation | 504,915 | 377,651 | 1,097,730 | 2,014,710 | 1,728,916 | 132,663 | 712,484 |
| Depreciation | 72,374 | 4,198 | 8,395 | 96,507 | 37,555 | 3,298 | - |
| Total functional expenses | \$ 577,289 | \$ 381,849 | \$ 1,106,125 | \$ 2,111,217 | \$ 1,766,471 | \$ 135,961 | \$ 712,484 |

| <u>Volunteer Services</u> | <u>Education Initiatives</u> | <u>HUB Center</u> | <u>Total Program Services</u> | <u>Supporting Services</u> | | | <u>Total Expenses</u> | |
|---------------------------|------------------------------|-------------------|-------------------------------|-------------------------------|---------------------|-------------------------------|-----------------------|---------------------|
| | | | | <u>Management and General</u> | <u>Fund Raising</u> | <u>Total Support Services</u> | <u>2015</u> | <u>2014</u> |
| | | | | | | | | |
| \$ 124,082 | \$ 16,727 | \$ 60,637 | \$ 4,086,224 | \$ 633,193 | \$ 249,282 | \$ 882,475 | \$ 4,968,699 | \$ 4,865,589 |
| <u>38,083</u> | <u>5,031</u> | <u>18,239</u> | <u>1,226,788</u> | <u>185,551</u> | <u>61,150</u> | <u>246,701</u> | <u>1,473,489</u> | <u>1,584,293</u> |
| 162,165 | 21,758 | 78,876 | 5,313,012 | 818,744 | 310,432 | 1,129,176 | 6,442,188 | 6,449,882 |
| 3,781 | 249 | 1,151 | 154,466 | 36,226 | 3,002 | 39,228 | 193,694 | 198,576 |
| - | - | - | - | - | - | - | - | 6,305 |
| - | - | - | - | - | - | - | - | 35,560 |
| - | - | - | 122,835 | - | - | - | 122,835 | 582,423 |
| - | - | - | 550,290 | 15,000 | - | 15,000 | 565,290 | 559,379 |
| - | - | - | 72,678 | 65,512 | 42,102 | 107,614 | 180,292 | 119,497 |
| 79 | - | - | 5,928 | 540 | 120 | 660 | 6,588 | 12,676 |
| 5,924 | 2,223 | 2,223 | 102,463 | 28,492 | 2,223 | 30,715 | 133,178 | 116,712 |
| 2,998 | 160 | 557 | 114,081 | 19,733 | 1,452 | 21,185 | 135,266 | 133,868 |
| 1,800 | 113 | 525 | 38,722 | 16,514 | 1,369 | 17,883 | 56,605 | 59,983 |
| 3,519 | - | 888 | 48,239 | 35,714 | 6,872 | 42,586 | 90,825 | 97,401 |
| 602 | 39 | 182 | 13,356 | 5,722 | 474 | 6,196 | 19,552 | 23,815 |
| 15,523 | 560 | 560 | 83,525 | 46,146 | 560 | 46,706 | 130,231 | 66,117 |
| 2,215 | - | - | 17,813 | 35,884 | 35,884 | 71,768 | 89,581 | 64,695 |
| 2,829 | - | 74 | 7,237 | - | 27,546 | 27,546 | 34,783 | 24,940 |
| <u>149,150</u> | <u>2,055</u> | <u>7,618</u> | <u>394,820</u> | <u>170,943</u> | <u>10,868</u> | <u>181,811</u> | <u>576,631</u> | <u>650,330</u> |
| 350,585 | 27,157 | 92,654 | 7,039,465 | 1,295,170 | 442,904 | 1,738,074 | 8,777,539 | 9,202,159 |
| <u>10,832</u> | <u>712</u> | <u>3,298</u> | <u>237,169</u> | <u>103,800</u> | <u>8,602</u> | <u>112,402</u> | <u>349,571</u> | <u>339,311</u> |
| <u>\$ 361,417</u> | <u>\$ 27,869</u> | <u>\$ 95,952</u> | <u>\$ 7,276,634</u> | <u>\$ 1,398,970</u> | <u>\$ 451,506</u> | <u>\$ 1,850,476</u> | <u>\$ 9,127,110</u> | <u>\$ 9,541,470</u> |

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF FUNCTIONAL PROGRAM EXPENSES

Year ended June 30, 2014

| | Program | | | | |
|--|------------------------------------|------------------------|--------------------------|---------------------------------|-------------------------------|
| | <u>Parenting Youth Program</u> | <u>Foster Care</u> | <u>Project FaSST</u> | <u>St. Barnabas Mission</u> | <u>Homemaker Services</u> |
| PERSONNEL EXPENSES | | | | | |
| Salaries | \$ 177,623 | \$ 721,272 | \$ 262,748 | \$ 1,180,025 | \$ 853,140 |
| Payroll taxes and employee benefits | <u>56,092</u> | <u>227,238</u> | <u>82,860</u> | <u>363,042</u> | <u>366,459</u> |
| Total personnel expenses | 233,715 | 948,510 | 345,608 | 1,543,067 | 1,219,599 |
| OPERATING EXPENSES | | | | | |
| Building contracts and other contract services | 6,839 | 23,938 | 7,979 | 112,753 | 9,119 |
| Specific assistance: | | | | | |
| Clothing | - | 6,305 | - | - | - |
| Special care stipend | - | 35,560 | - | - | - |
| Board/foster care | - | 582,423 | - | - | - |
| Other | 118 | 37,970 | 448,328 | 58,063 | - |
| Consultant fees | - | - | 50,900 | - | - |
| Staff recruitment | 93 | 55 | 79 | 5,435 | 554 |
| Insurance | 1,956 | 19,608 | 6,864 | 25,164 | 19,608 |
| Telephone and utilities | 3,336 | 15,202 | 5,025 | 75,400 | 12,351 |
| Postage and photocopier | 3,471 | 12,148 | 4,049 | 11,078 | 4,628 |
| Staff travel and training | 285 | 10,573 | 1,343 | 3,186 | 25,147 |
| Office supplies | 1,486 | 5,203 | 1,734 | 2,875 | 1,982 |
| Legal and audit fees | 516 | 5,208 | 1,824 | 5,724 | 5,208 |
| Publicity and printing | - | - | - | - | - |
| Appeals/special events | - | - | - | - | - |
| Other | <u>74,376</u> | <u>68,554</u> | <u>12,789</u> | <u>25,654</u> | <u>11,613</u> |
| Total expenses before depreciation | 326,191 | 1,771,257 | 886,522 | 1,868,399 | 1,309,809 |
| Depreciation | <u>19,531</u> | <u>68,357</u> | <u>22,786</u> | <u>95,180</u> | <u>26,041</u> |
| Total functional expenses | <u>\$ 345,722</u> | <u>\$ 1,839,614</u> | <u>\$ 909,308</u> | <u>\$ 1,963,579</u> | <u>\$ 1,335,850</u> |

| Services | | | | | Support Services | | | | |
|-----------------------------|---------------------|---------------------------|------------------------------|-------------------|-------------------------------|-------------------------------|---------------------|-------------------------------|---------------------|
| Health Care Services | OST Programs | Volunteer Services | Education Initiatives | HUB Center | Total Program Services | Management and General | Fund Raising | Total Support Services | Total |
| \$ 77,847 | \$ 527,355 | \$ 91,430 | \$ 85,655 | \$ 81,596 | \$ 4,058,691 | \$ 609,434 | \$ 197,464 | \$ 806,898 | \$ 4,865,589 |
| <u>30,713</u> | <u>122,002</u> | <u>28,679</u> | <u>27,012</u> | <u>25,732</u> | <u>1,329,829</u> | <u>192,192</u> | <u>62,272</u> | <u>254,464</u> | <u>1,584,293</u> |
| 108,560 | 649,357 | 120,109 | 112,667 | 107,328 | 5,388,520 | 801,626 | 259,736 | 1,061,362 | 6,449,882 |
| 1,140 | 329 | 2,280 | 2,280 | 1,140 | 167,797 | 26,788 | 3,991 | 30,779 | 198,576 |
| - | - | - | - | - | 6,305 | - | - | - | 6,305 |
| - | - | - | - | - | 35,560 | - | - | - | 35,560 |
| - | - | - | - | - | 582,423 | - | - | - | 582,423 |
| - | - | - | - | - | 544,479 | 14,900 | - | 14,900 | 559,379 |
| - | 7,375 | - | - | - | 58,275 | 34,312 | 26,910 | 61,222 | 119,497 |
| - | 398 | 93 | 164 | 773 | 7,644 | 1,216 | 3,816 | 5,032 | 12,676 |
| 1,956 | 14,209 | 1,956 | 1,956 | 1,956 | 95,233 | 20,501 | 978 | 21,479 | 116,712 |
| 556 | 2,502 | 1,112 | 1,152 | 556 | 117,192 | 14,729 | 1,947 | 16,676 | 133,868 |
| 578 | 5,521 | 1,157 | 1,157 | 578 | 44,365 | 13,593 | 2,025 | 15,618 | 59,983 |
| 1,500 | 2,111 | 883 | 3,183 | 1,566 | 49,777 | 40,085 | 7,539 | 47,624 | 97,401 |
| 248 | 2,359 | 495 | 495 | 248 | 17,125 | 5,824 | 866 | 6,690 | 23,815 |
| 516 | 3,636 | 516 | 516 | 516 | 24,180 | 41,679 | 258 | 41,937 | 66,117 |
| - | - | - | - | - | - | 32,348 | 32,347 | 64,695 | 64,695 |
| - | - | - | - | - | - | - | 24,940 | 24,940 | 24,940 |
| <u>3,086</u> | <u>105,760</u> | <u>198,660</u> | <u>2,916</u> | <u>730</u> | <u>504,138</u> | <u>135,804</u> | <u>10,388</u> | <u>146,192</u> | <u>650,330</u> |
| 118,140 | 793,557 | 327,261 | 126,486 | 115,391 | 7,643,013 | 1,183,405 | 375,741 | 1,559,146 | 9,202,159 |
| <u>3,255</u> | <u>-</u> | <u>6,510</u> | <u>6,510</u> | <u>3,255</u> | <u>251,425</u> | <u>76,494</u> | <u>11,392</u> | <u>87,886</u> | <u>339,311</u> |
| <u>\$ 121,395</u> | <u>\$ 793,557</u> | <u>\$ 333,771</u> | <u>\$ 132,996</u> | <u>\$ 118,646</u> | <u>\$ 7,894,438</u> | <u>\$ 1,259,899</u> | <u>\$ 387,133</u> | <u>\$ 1,647,032</u> | <u>\$ 9,541,470</u> |

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Award Period</u> | <u>Expenditures</u> |
|---|----------------------------|--------------------------------------|---------------------|---------------------|
| Federal Financial Assistance: | | | | |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Direct Program: | | | | |
| Continuum of Care Program | 14.267 | N/A | 05/01/14 - 04/30/15 | \$ 433,628 |
| Continuum of Care Program | 14.267 | N/A | 05/01/15 - 04/30/16 | 78,000 |
| | | | Total 14.267 | <u>511,628</u> |
| <u>U.S. Department of Education</u> | | | | |
| Direct Program: | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | N/A | 10/01/14 - 09/30/15 | <u>132,093</u> |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Pass-Through Programs: | | | | |
| Philadelphia Department of Human Services, Division of Children and Youth Foster Care Title IV-E | 93.658 | 13-20283-03 | 07/01/14 - 06/30/15 | <u>116,145</u> |
| Total Federal Financial Assistance | | | | <u>759,866</u> |
| State Financial Assistance: | | | | |
| <u>Pennsylvania Department of Public Welfare</u> | | | | |
| Pass-Through Programs: | | | | |
| Philadelphia Department of Human Services, Division of Children and Youth Foster Care | | 13-20283-03 | 07/01/14 - 06/30/15 | 86,631 |
| FASST Housing project | | 13-20451-02 | 07/01/14 - 06/30/15 | 310,400 |
| Philadelphia Department of Human Services, Philadelphia Health Management Corporation Parenting Collaborative | | N/A | 07/01/14 - 06/30/15 | 50,270 |
| Out of School Time Elementary | | N/A | 07/01/14 - 06/30/15 | 248,880 |
| Out of School Time Middle | | N/A | 07/01/14 - 06/30/15 | 83,440 |
| Philadelphia Office of Supportive Housing Emergency Housing Services | | 15-20133 | 07/01/14 - 06/30/15 | <u>115,541</u> |
| Total State Financial Assistance | | | | <u>895,162</u> |

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Award Period</u> | <u>Expenditures</u> |
|--|----------------------------|--------------------------------------|---------------------|---------------------|
| City Financial Assistance: | | | | |
| Philadelphia Department of Human Services, Division of Children and Youth | | | | |
| Foster Care | | 13-20283-03 | 07/01/14 - 06/30/15 | 21,657 |
| FASST Housing project | | 13-20451-02 | 07/01/14 - 06/30/15 | 77,600 |
| Philadelphia Department of Human Services, Philadelphia Health Management Corporation | | | | |
| Parenting Collaborative | | N/A | 07/01/14 - 06/30/15 | 12,567 |
| Out of School Time Elementary | | N/A | 07/01/14 - 06/30/15 | 62,220 |
| Out of School Time Middle | | N/A | 07/01/14 - 06/30/15 | 20,860 |
| Philadelphia Office of Supportive Housing Emergency Housing Services | | 15-20133 | 07/01/14 - 06/30/15 | <u>675,381</u> |
| Total City Financial Assistance | | | | <u>870,285</u> |
| Total Federal, State and City Financial Assistance | | | | <u>\$ 2,525,313</u> |

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2015

(1) GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state and city awards presents the activities in all the federal, state and city financial assistance programs of ECS, as reported to ECS by the governmental and pass-through entities. All financial assistance received directly from federal, state or city agencies, as well as financial assistance passed through other governmental agencies, are included on the schedule.

(2) BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal, state and city awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal, state or city funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal, state and city awards expenditures are reported on the schedule of functional program expenses as program services. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the schedule of federal, state and city awards due to program expenditures exceeding grant, per diem fees or contract budget limitations which are not included as federal, state and city awards.

(4) SUBRECIPIENTS

ECS provided federal awards to 1260 Housing Development Corporation of \$488,769 from the Continuum of Care Program – CFDA 14.267.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2015

There were no audit findings for the year ended June 30, 2014.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Episcopal Community Services of the Diocese of Pennsylvania
Philadelphia, Pennsylvania**

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States, the financial statements of Episcopal Community Services of the Diocese of Pennsylvania (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ECS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ECS' internal control. Accordingly, we do not express an opinion on the effectiveness of ECS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBO, LLP.

Philadelphia, Pennsylvania
November 9, 2015



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Episcopal Community Services of the Diocese of Pennsylvania
Philadelphia, Pennsylvania**

Report on Compliance for Major Federal Program

We have audited Episcopal Community Services of the Diocese of Pennsylvania's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ECS' major federal programs for the year ended June 30, 2015. ECS' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for ECS' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the City of Philadelphia Subrecipient Audit Guide. Those standards, OMB Circular A-133 and the City of Philadelphia Subrecipient Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of ECS' compliance.

Opinion on Major Federal Program

In our opinion, ECS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of ECS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ECS' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ECS' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BBD, LLP.

**Philadelphia, Pennsylvania
November 9, 2015**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of ECS.
2. No significant deficiencies relating to the audit of the financial statements of ECS are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of ECS were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the report on compliance for each major federal program and on internal control over compliance required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as the major program was:
 - U.S. Department of Housing and Urban Development
 - CFDA Number 14.267
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. ECS qualified as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL SCHEDULES
REQUIRED BY THE CITY OF PHILADELPHIA
OFFICE OF SUPPORTIVE HOUSING**

**Board of Trustees
Episcopal Community Services of the Diocese of Pennsylvania
Philadelphia, Pennsylvania**

We have audited the financial statements of Episcopal Community Services of the Diocese of Pennsylvania (a non-profit organization) for the year ended June 30, 2015, and have issued our report thereon dated November 9, 2015. These financial statements are the responsibility of Episcopal Community Services of the Diocese of Pennsylvania's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; **Government Auditing Standards**, issued by the Comptroller General of the United States; and the **City of Philadelphia Subrecipient Audit Guide**. Those standards and the **City of Philadelphia Subrecipient Audit Guide** require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Episcopal Community Services of the Diocese of Pennsylvania taken as a whole. The accompanying reconciliation of agency reported expenditures/revenues to audited expenditures/revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
November 9, 2015**

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF SUPPORTIVE HOUSING (OSH)
CITY OF PHILADELPHIA CONTRACT NUMBER 15-20133**

RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDITED EXPENDITURES/REVENUES

JULY 1, 2014 TO JUNE 30, 2015

| <u>Contract Categories</u> | <u>Cumulative Expenses</u> | | | | <u>Other Adjustments</u> | | | | <u>Remaining Balance</u> | | | |
|----------------------------|----------------------------|--------------------|----------------|-------------------|----------------------------|--------------------|----------------|------------------|----------------------------|--------------------|----------------|-------------------|
| | <u>Supportive Services</u> | <u>Admin Costs</u> | <u>Leasing</u> | <u>OSH Match</u> | <u>Supportive Services</u> | <u>Admin Costs</u> | <u>Leasing</u> | <u>OSH Match</u> | <u>Supportive Services</u> | <u>Admin Costs</u> | <u>Leasing</u> | <u>OSH Match</u> |
| Direct Personnel | \$ 616,919 | \$ - | \$ - | \$ 616,919 | \$ - | \$ - | \$ - | \$ - | \$ 616,919 | \$ - | \$ - | \$ 616,919 |
| Fringe Benefits | <u>174,003</u> | <u>-</u> | <u>-</u> | <u>174,003</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>174,003</u> | <u>-</u> | <u>-</u> | <u>174,003</u> |
| Total | <u>\$ 790,922</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 790,922</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 790,922</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 790,922</u> |